

הסתדרות הציונית העולמית
The World Zionist Organization

THE OFFICE OF THE COMPTROLLER

**ANNUAL REPORT
for 2009**

to

The 36th Zionist Congress

Jerusalem, June 2010

**The Office of the Comptroller:
14 Hillel St., P.O.B. 7063, Jerusalem 91070
Tel: 972-2-6204500 Fax: 972-2-6204545
comptroller@comptroller.jafi.org**

Delegates to the 36th Zionist Congress,

I am honored to submit to the 36th Zionist Congress an Annual Report on the activities of the Office of the Comptroller for the year 2009.

The volume includes reports that were discussed at the Sub-Committee for the Comptroller's Reports of the Zionist General Council Standing Committee for Budget and Finance. In the absence of a Chairman of the Zionist Executive, a Committee of the Zionist Executive was appointed to prepare a response to the Comptroller's Reports.

The Comptroller's recommendations should be thoroughly reviewed by the controlled bodies and implemented thereafter in order to improve ways of management, use of human resources, and funds allocated to them.

I would like to thank the Controlled bodies for their cooperation and my staff for their thorough work.

*Asaf Sela
Comptroller*

Jerusalem, June 2010

Message of the Chairperson of the Subcommittee for Control

The World Zionist Organization

Standing Committee for Budget and Finance

The relevance of systematic and thorough organizational control has never been more apparent in Israel than today. The World Zionist Organization recognized this important principle from its very early stages and has had a comptroller overseeing its operations for over 60 years.

Despite the committee's desire to carry out its duties in a timely and efficient manner, the past year has presented extra challenges. Due to the resignation of the Chair of the WZO in early 2009, the committee was unable to convene for many months. According to the regulations governing the functioning of the Subcommittee for Control, review of the comptroller's reports is dependent on a response from the Chair of the WZO. As an interim solution, in the fall of 2009 the Zionist Executive appointed an Executive Committee to act in lieu of the Chair. Thus meetings of the Subcommittee only resumed in 2010, complicating the timely work of the control process. In recognition of this difficult situation, the comptroller and his staff have made every effort to provide members of the Subcommittee with ongoing reports of the organization's departments and it is my hope that the Subcommittee will be able to complete its review of these reports in a speedy manner and before the opening of the World Zionist Congress in June 2010. I wish to acknowledge the important work of the Subcommittee members and thank them for their efforts despite the difficulties affecting their functioning.

Without the dedicated and often difficult and thankless work of the comptroller and his staff, the necessary internal changes indicated by the reports and allowing for genuine growth of the WZO and its organizational bodies would be seriously impaired. The raising of standards is a key to the health of any organization and the role of the staff in making this happen is worthy of recognition and appreciation.

*Dalya Levy
Chair of the WZO Subcommittee for Control*

Jerusalem, March 2010

Table of Contents

Activities of the Office of the Comptroller During the Period Covered by the Report	11
List of Reports Prepared in the Years 2003-2010	17
Comptroller's Reports:	
The Finance Department	19
Preface	21
Background	23
The W.Z.O.'s Budget	26
Allocations	33
Cash Flow	52
Appendix – Process of Authorization of the Budget	59
Summary and Recommendations of the Zionist Executive Committee for Response to the Comptroller's Reports	61
Short Term <i>Shlichuyot</i> at the World Zionist Organization	63
The Main Findings	65
Introduction	69
Data	70
The Approval Process for Short Term <i>Shlichuyot</i>	82
Adding Private Vacation and/or Family Member	95
Per Diem and Reimbursement of Work Related Expenditures	100
Frequent Flyer Points	101
Short Term <i>Shlichuyot</i> of Members of the Executive, Director General of the Finance Department and Public Figures	107
Summary and Recommendations of the Zionist Executive Committee for Response to the Comptroller's Reports	117
The Zionist Council in Israel	119
Introduction	121
The Activities of the Zionist Council in Israel	122
Legal Status	123
The ETZ <i>Amutah</i>	124

The Zionist Council <i>Amutah</i>	125
The Affinity between the World Zionist Organization and the	
Zionist Council Including the <i>Amutot</i>	126
Operations	131
Budget Background	132
Conclusion	138
Summary and Recommendations of the Zionist Executive Committee	
for Response to the Comptroller's Reports	141
Keren Kayemeth LeIsrael –	
Communications and Public Relations Division	143
Preface	145
Background	147
The Budget of the Division	153
Activity of the Division	158
Collection of Monies	159
Events	163
Contractual Arrangements with Suppliers	175
Handling of Complaints and Referrals from the Public	178
Appendix – Organizational Structure of the Communications and	
Public Relations Division	183
Summary and Recommendations of the Zionist Executive Committee	
for Response to the Comptroller's Reports	185
Keren Kayemeth LeIsrael –	
The Shaar Hagay Khan (Caravansary)	187
Background	189
Budget and Implementation	190
The Exist from the Project	193
Summary	197
Keren Kayemeth LeIsrael – The Resources Development	
Division – Contribution Funded Projects	199
Introduction	201
General Background	204
Fundraising	212

Marketing of Projects for Contributions	218
Project Implementation	227
Cash Flow and Entries in the Books	236

Statutes of the Comptroller and the Control Office, The World Zionist Organization	245
---	-----

**Activities of the Office of the Comptroller
During the Period Covered by the Report**

Activities of the Office of the Comptroller During the Period Covered by the Report

Functions of the Comptroller

The authority of the Comptroller of the Word Zionist Organization is drawn from Article 60 of the WZO Constitution, which determines the independent status and main functions of the Comptroller. Detailed provisions on the functions and mode of operation of the Comptroller can be found in the Statutes of the Comptroller and the Control Office, as passed at the Zionist General Council, (brought below, in the last section of this book).

It is the Comptroller's task to conduct an independent review of the WZO departments, the National Funds and other bodies, as defined in Clause 10 of the Statutes, in order to ascertain whether they operate within the desirable norms of legality, budgetary discipline, financial accountability, administrative propriety and efficiency, and moral integrity. The Office of the Comptroller also deals with complaints from the public concerning the bodies coming under its purview.

The control findings, together with the Responses of the Chairman of the Executive, are debated in the Standing Committee for Budget and Finance of the Zionist General Council, which has set up a special sub-committee for this purpose. The conclusions of the latter are discussed and approved at the Standing Committee.

The WZO Comptroller, who is elected according to the Constitution by the Zionist Congress, may also serve as Comptroller of the Jewish Agency, if so elected by the Board of Governors of the Agency. This linkage of roles has existed in practice for many years.

One Office of the Comptroller – Several Entities Under Purview

It is important to stress that the Office of the Comptroller functions as one unit controlling the gamut of activities of the National Institutions. Thus it achieves flexibility in placing control teams in the various controlled entities and creates a possibility of implementing lessons drawn from control of one entity to the other.

Reports of the Office of the Comptroller

Following the Comptroller's Report to the 35th Zionist Congress of June 2006 which reviewed the control activities since the 34th Zionist Congress convened in June 2002, Annual Reports were submitted to the Zionist General Council in June 2007 and November 2008.

Annual Reports were also submitted to the Jewish Agency Board of Governors in June 2006, 2007, 2008, 2009, and 2010.

Keren Hayesod – Operations Abroad

Since the 35th Zionist Congress the Office of the Comptroller conducted examinations of the operations of Keren Hayesod Campaigns in Belgium and Austria.

The review of these Campaigns was conducted in full coordination with Keren Hayesod's Executive in Jerusalem and with their volunteer officers in Belgium and Austria.

Although the organizational frameworks under which Keren Hayesod operates in these two countries are different and its activities in each of them is adjusted to the conditions and requirements prevailing in each of them, the Office of the Comptroller outlined a control plan. The plan focuses on proper management of the funds collected, control and supervision on income and expenses and on local employees.

The Reports formulated upon completion of these reviews were submitted to the Chairman of the World Zionist Executive and to Keren Hayesod's Executive.

Keren Hayesod's Executive conducted a proper process of handling the Comptroller's recommendations including their implementation as well as refreshing and amending of the procedures regulating the Campaigns' activities.

As part of this process, the Reports were discussed by the Keren Hayesod Board of Trustees Control Committee.

Keren Kayemet LeIsrael

During the period elapsed since the 35th Zionist Congress the Comptroller has submitted separate reports on the activities of KKL in Israel as listed ahead.

The Comptroller's reports are discussed at the sub-committee for the Comptroller's reports of the Standing Committee for Budget and Finance of the Zionist General Council.

**Reports Prepared by the Office of the Comptroller
of The World Zionist Organization
in the Years 2003-2010**

Arranged according to the year of publication

The World Zionist Organization

- 2005 The 34th Zionist Congress
- 2005 Allocation to the World Zionist Unions
- 2005 The Zionist Federation in France
- 2006 The Department for Zionist Activity
- 2006 The *Hagshamah* Department Payments to the *Hagshamah* Movements
- 2006 Center for Religious Affairs in the Diaspora
- 2007 Allocations for Reform and Conservative Religious Services
- 2007 The Human Resources Division
- 2008 Herzl Center Museum and Zionist College
- 2008 The Central Zionist Archive
- 2010 The Finance Department
- 2010 Short Term *Shlichuyot* at the World Zionist Organization
- 2010 The Zionist Council in Israel

Keren Kayemeth LeIsrael

- 2003 Information Systems Division
- 2005 Water Reservoirs
- 2006 Maintenance Division
- 2006 The Ben Shemesh Land Policy and Land Use Research Institute
- 2007 Land Development Authority, Land Reclamation Projects and Roads
- 2008 Hemnuta Co. Ltd. – The Process of Letting Properties and Handling the Maintenance Costs
- 008 Land Development Authority – Forestry Division, Fire Prevention
- 2008 Land Development Authority Arrangements with Land Bed Haulage Contractor in the Southern District
- 2010 Communications and Public Relations Division
- 2010 The Shaar Hagay Khan (Caravansary)
- 2010 The Resources Development Division Contribution Funded Projects

Keren Hayesod

- 2003 Communications and Marketing Division
- 2006 Missions and International Events Unit
- 2007 Human Resources and Emissaries Administration
- 2008 Legacies and Funds

The Finance Department

**Summary and Recommendations of the
Zionist Executive Committee
for Response to the Comptroller's Reports**

The Finance Department

1. Preface

1.1 As per the Office of the Comptroller's work plan, a review of a number of issues regarding the activities of the Finance Department (hereinafter: **the Department**) of the World Zionist Organization (hereinafter: **W.Z.O.**), has been conducted.

The audit reviewed the following issues:

- a. The allocations transferred by the W.Z.O. as part of its current budget.
- b. Budget management.
- c. Cash flows.

1.2 The audit was carried out during the period of April – June 2008, and included meetings and discussions with the Department's Director General, his deputy, the payments supervisor, the Department's budgets supervisor, and several referents at various W.Z.O. departments.

The period reviewed was the years 2006 and 2007.

1.3 The audit's objectives:

- ♦ Review of conduct and control processes for the examined issues.
- ♦ To check the existence of proper internal control procedures and the effectiveness of the existing procedures and processes.

- ◆ To read the existing procedures and check conformity to the guidelines set forth therein.
- ◆ To identify weak points in processes and control measures, and to provide recommendations for improvements.
- ◆ To check the implementation of the recommendations made by the Comptroller in previous reports.

1.4 The audit included, among other things, the following actions:

- ◆ Receiving detailed explanations regarding the Department's work processes, as regards the transfer of allocations to the various organizations, as regards the formulation and management of the budget, and as regards cash flow management.
- ◆ Meetings with referents from other departments, where detailed explanations were given regarding the manner in which allocations are paid out.
- ◆ Production of budget/actual expenditures reports – from the computer system for the years 2006 and 2007, and analysis thereof.
- ◆ Review of protocols and documents relevant to the approval of the 2006 and 2007 budgets, budgetary transfers, execution of allocations, etc.
- ◆ Review of the extent to which the computer system supports all matters pertaining to budget management.
- ◆ Review of the 2005 and 2006 financial statements.
- ◆ Review of the existing procedures and guidelines as regards the transfer of allocations, in the lines: Zionist Unions,

Zionist Federations, Hagshamah Movements and Allocations to Reform and Conservative Religious Services.

- ◆ Examination of references for allocations transferred to the Zionist Unions, the Zionist Federations, Hagshamah Movements and the Reform and Conservative Religious Services.
- ◆ Review and analysis of the financial statements of those Zionist Unions which submitted such statements.
- ◆ Sampling of bank transfers, including execution as per the authorized signatories protocol.
- ◆ Issue and review of accounting indexes, mainly as regards the examination of allocations and cash flows.
- ◆ Review of prior Comptroller's Reports pertaining to allocations and review of developments made since then.
- ◆ Analysis of results, consolidation of findings and conclusions, and preparation of the audit report.

2. Background

2.1 The World Zionist Organization (hereinafter: **W.Z.O.**) was founded by Binyamin Ze'ev Herzl at the First Zionist Congress in Basel, in 1897.

The Jewish Agency for Israel (hereinafter: **the Jewish Agency**) was founded in 1929 as the executive branch of the W.Z.O., and constitutes a partnership between the Zionist organizations and movements represented by the W.Z.O. and the United Jewish Communities of the United States and Keren Hayesod.

Keren Kayemeth LeIsrael (hereinafter: **K.K.L.**) was founded in 1901 during the Fifth Zionist Congress in Basel, and is responsible for the redemption of lands in Eretz Israel, as well as their development, designation, etc.

- 2.2 In 1952, the Israeli Knesset passed the "Status Law", and covenants were signed between the government and the Zionist Organization and the Jewish Agency, which jointly determine, among other things, the status and function of the W.Z.O. and of the Jewish Agency, in the State of Israel. Following the re-constitution of the Jewish Agency in 1971, the law was amended in 1976, and in 1979 new covenants were signed,
- 2.3 In 1997, it was decided to conduct a re-structuring of the W.Z.O. and of its related organizations. This re-structuring mainly included the transfer of Aliyah activities from Western countries and educational activities from the W.Z.O. to the Jewish Agency. As a result, the W.Z.O.'s activities were drastically diminished, and its annual budget decreased from approximately USD 100 million to approximately USD 16 million.
- 2.4 Since the aforementioned re-structuring, the W.Z.O.'s annual budget has remained stable and ranges between USD 14 million and USD 16 million per annum.

There is an additional budget for maintaining Shlichim around the world, for which the W.Z.O. is responsible as a contractor on behalf of the Jewish Agency. This additional budget amounts to approximately USD 24 million per annum, and is financed by the Jewish Agency. The funds are transferred directly by the Jewish Agency as a separate budget. This budget is managed by the Zionist Shlichim Unit, which is subordinate to the W.Z.O. in general, and in particular to the Finance Department.

In addition, the W.Z.O. is responsible for the salary budget of the Settlement Division, and each month pays out the salaries of the Division's employees (about 80 in number), to the amount of about NIS 1.5 million per month. This budget is financed in full by the Israeli Ministry of Finance.

2.5 The primary institutions of the W.Z.O. are as follows:

- The World Zionist Congress – the W.Z.O.'s supreme institution, comprised of approximately 740 representatives, of which about 515 represent the World Zionist Unions and the rest represent various international Zionist organizations. The Congress convenes once every four years.
- The Zionist General Council – comprised of 186 members and convenes once a year.
- The Standing Budget and Finance Committee – mainly handles budgetary issues and convenes several times a year.
- The Extended Zionist Executive – includes 55 members, selected by the Congress once every four years, and convenes three times a year.
- The Zionist Executive – the W.Z.O.'s executive organ, comprised of 31 members selected from the Extended Executive, and convenes every several weeks.

2.6 The W.Z.O.'s offices are located in the National Institutions at 48 King George Street, Jerusalem. The Jewish Agency charges the W.Z.O. rent and other fees for rendering substantial logistical services, to a total amount of approximately USD 1.4 million annually, and which are offset each month by the Jewish Agency from its annual allocation to the W.Z.O.

The W.Z.O. includes 80 staff positions, of which four are in the Finance Department, and handle all budgetary, financial and accounting matters for the W.Z.O. Of the 80 staff positions, 15 positions are allocated to the Zionist Shlichim Unit, which is subordinate to the W.Z.O. Finance Department.

3. The W.Z.O.'s Budget

The W.Z.O.'s budget is comprised of two primary parts as follows:

- The current budget, to the amount of approximately USD 16 million per annum (in the past two years). This budget is financed in equal parts by the Jewish Agency and the K.K.L.
- Shlichim activities budget, to the amount of USD 24 million per annum, as per the agreement signed with the Jewish Agency. This budget includes payments for overhead expenses involved in executing this budget.

Salary payments to Settlement Division employees are not included in the budget and are financed in full by the Israeli Ministry of Finance.

The Zionist Executive determines the framework of the budget after receiving information from the Jewish Agency and K.K.L. regarding the sum of their allocations expected for the coming year.

Next, the budgets supervisor formulates the budgetary items, which are divided into three main parts:

- a. Hard expenses mostly salary items. This figure stays at a more or less constant level over the years, unless manpower changes are expected in the coming year.

However, during the budget-building phase, increase in salaries is taken into account, including personnel promotion.

Hard expenses items also include other overhead costs, such as: rental fees, insurance, communications, etc.

- b. Activity expenses – this section changes according to the total budget and depends on the Executive's policy and decisions regarding activities for the coming year.

Data regarding expected activities are collected from the departments. The budgets supervisor proposes a separate budget framework for each department. Sub-division of the departmental budgets into sub-items is carried out in cooperation with the department.

- c. Allocations to external organizations – these constitute approximately 23% of the total budget. Allocations are mostly to Zionist Unions, Hagshamah movements, Zionist Federations and Reformist and Conservative religious services. The sum of the budget has remained more or less the same in the past few years and amounts to USD 3.5 million per annum. This matter is reviewed in depth in this report see Chapter 4.

A flow chart detailing the budget preparation and approval process is attached herewith as an Appendix to the report.

After the budgets supervisor finishes preparing an initial proposal for the budget, it is submitted for review by the Executive, which details its remarks, returns the proposed budget to the budgets supervisor. This process is repeated until final approval of the budget by the Executive. After the Executive approves the budget, it is submitted for discussion at the Standing Budget and Finance Committee (hereinafter: **the Committee**), which has been authorized by the Zionist General Council to discuss budgetary matters and approve the budget. The Committee is expected to approve the budget before the start of each year, or as close as possible thereto.

Upon receiving approval from the Committee, the budgets supervisor enters the budget, on all its various sections, into the computer system and informs the various departments, which can now see, via the computer system, the amounts approved for each and every item, and make the necessary preparations.

In cases of a delay in the budget's approval, activity at the start of the fiscal year is carried out according to 1/12 of the previous year's budget, or as determined by the Executive and approved by the Committee, until final approval of the new budget.

The Committee approved the 2006 budget on November 28, 2005. This budget underwent drastic changes and was rendered irrelevant following the Zionist Congress, which convened in June of 2006 and laid out a broad new policy for the W.Z.O. The updated budget was approved on August 21, 2006.

The 2007 budget was approved by the Committee in portions. The budget for the first half of the year was approved on February 25, 2007, and the budget for the second half of the year – on September 19, 2007.

The budget for 2008 was approved in full by the Committee in early February, 2008.

The computer system includes a budget implementation module. Data from the approved budget are entered in to the system at the start of the year, and are updated as budgetary transfers are carried out. The budget implementation data are transferred every now and then through the interface based on accounting figures. The system enables the production of a report detailing all budgetary and implementation items, at any point in time during the year, at the budget sub-item level.

Once a month during the year, the budgets supervisor uses the system to monitor budget implementation. This monitoring includes a review of the relative budget implementation, identification of errors in the association of expenses to any budgetary items, effects of changes in the currency exchange rate, seasonal/non-recurring activities, etc.

One of the results of this review is the creation of notes/updates which are transferred to the relevant persons in the departments, for corrections or for drawing attention to exceptional events.

From time to time, coordination meetings are held with relevant persons in the departments.

The budgets supervisor is responsible for conducting ongoing budgetary transfers, due to the aforementioned reviews, or due to changes made in activities during the year.

These budgetary transfers are executed with the following approvals:

- For internal items in a departmental budget, transfers are usually executed by the budgets supervisor, without need for any additional approvals, except in those cases where the sum being transferred exceeds USD 100,000. These transfers are usually carried out with the department CEO's knowledge, and sometimes even at his request.
- Transfers between the items of one department to those of another require approval by the Zionist Executive and the Standing Budget and Finance Committee.

The table below details the budget implementation figures for the past two years (in thousands of USD):

Item	2007			2006		
	W.Z.O. Budget	Shlichim Budget	Total	W.Z.O. Budget	Shlichim Budget	Total
Budget	16,833	24,000	40,833	*16,304.5	24,000	40,304.5
Revenue Implementation	16,930	24,949	41,879	15,481	24,618	40,099
Expense Implementation	15,350	24,925	40,275	14,670	24,616	39,286
Annual Surplus	1,580	24	1,604	811	2	813

* Including the 35th Zionist Congress, a separate item in the budget printout.

The surplus for the above years, and mainly in 2007, is due to the delay in approving the budget, which brought about a certain freezing of activities (mainly Hagshamah activities abroad and winter activities, which cannot be deferred to the summer months), so that following formal approval of the budget, it was not possible to carry out all activities as originally planned.

The audit examined documents pertaining to the approval and the ongoing management of the budget, including budgetary transfer documents for 10 separate events, totaling approximately USD 120,000.

The Audit's Findings:

- ◆ There is no procedure governing the budget preparation and approval process, authority to carry out various levels of modifications, the documentation of such modifications,

authorization for approving deviations from budget, etc. The existing regulations set forth by the Standing Budget and Finance Committee, which dictate specific guidelines for the budget preparation process, for carrying out modifications and authority to transfer sums between budget items, are no substitute for a set procedure.

The Finance Department's Response

The Department is acting based on the budget approval flow chart attached herewith as an Appendix to the report.

- ♦ The W.Z.O. does not conduct any orderly monitoring of modifications made to the budget from the date of its approval and until the end of the year. There are different versions of the budget kept in different Excel files. However, following approval, the documents which served as the basis for these modifications are not filed in any orderly manner together with the updated budget. Therefore, it is difficult to monitor the "course" of the budget throughout the year, and whether the approvals given for conducting modifications, if any, were given in a proper manner.
- ♦ As part of examining budgetary deviations and the references submitted for budgetary transfers, we found that in six of the reviewed cases for 2007 (totaling approximately USD 72,000), and in three of the reviewed cases for 2006 (totaling approximately USD 149,000), approvals were given **post factum**, apparently verbally, after the W.Z.O. had already incurred an obligation for payment. This, both as regards salaries, and as regards payment to vendors who had already carried out works. In addition, entries in the books had already been made and caused the aforementioned budgetary items to incur negative utilization balances, without any budgetary transfer being carried out.

The Audit's Recommendations:

- ♦ **To put in writing a detailed procedure regarding the budget preparation and approval process, which will match the statute of the Budget and Finance Committee, and which will give reference to those institutions responsible for approving the budget. We recommend to refer in depth to the authority hierarchy for approving transfers between items under various circumstances, and to set forth guidelines for documentation. If it is necessary to modify the Budget and Finance Committee's statute, then the necessary changes must be communicated to the Committee, so that it may discuss them and submit them to the Zionist Executive for approval.**
- ♦ **To make sure to maintain separate documentation for all budget modifications, while making sure to file the following documents: the request for modification, the modification approval document, the budget prior to making the modification, and the budget following modification.**

The Finance Department's Response

The Department shall formulate a procedure for preparing the budget and conducting changes.

- ♦ **The departments must make sure not to approve budgetary obligations prior to the approval of a corresponding budgetary transfer. We recommend to submit the request prior to execution of the expenditure, and to approve the expense only after receiving approval for the budgetary transfer.**

4. Allocations

A portion of the World Zionist Organization's budget is designated for allocation to various different entities. In 2006, the sum of all allocations transferred amounted to approximately USD 3.3 million, which constitute 23% of the total budget for that year. In 2007, allocation items amounted to approximately USD 3.6 million, which constitute 23% of the budget.

The following table details implementation of allocations (in thousands of USD):

Item	2007		2006	
	Budget	Actual	Budget	Actual
Zionist Unions	960	945	960	937
Hagshamah Movements	1,000	983	1,000	983
Zionist Federations	721	731	700	673
Reform and Conservative	650	649	366	361
The Bialik Institution	188	188	188	196
Activities and Organizations *	149	107	216	154
Total	3,668	3,603	3,430	3,304

* This item includes allocations to the Institute for the Study of Zionism, Vetern Zionists, Brit Ivrit Olamit, the World Jewish Restitution Organization for Property Return, activities and conferences. In addition, in 2006, a one-time sum of USD 100,000 was included for special activities following the Lebanon War.

In March of 2008, the Finance Department issued a procedure covering all types of allocations. This procedure deals with the request for allocation and approval process. Under this procedure, the recipient of the allocation is required to submit certain documents in

order to realize the approved allocation. These documents include: an audited financial statement, incorporation documents, and a certificate for exemption from withholding tax.

For foreign organizations, the procedure sets forth specific guidelines including submittal of a content-based report signed by a representative of the organization, and a financial performance statement signed by the organization's accountant.

Allocations are given primarily to the following organizations:

4.1 World Zionist Unions

A Zionist organization with branches in at least five countries, which is represented in the Zionist Congress by any of the congressional parties (at least 12 representatives) and which represents certain points of views, is called a World Zionist Union (hereinafter: **Union**). As is the custom, the Zionist Executive registers the existence of World Zionist Unions.

Allocations to unions are intended to help those unions which participate in the democratic processes of the Zionist movement, to conduct educational and ideological activities for the fulfillment of the Zionist plan.

The total budget allocated to the unions, in the past two years, has amounted to USD 960,000 per annum. From this total budget, actual implementation rates were 96% in 2006 and 98% in 2007.

This matter was reviewed by the Office of the Comptroller in 2004.

In 2000, the institutions of the W.Z.O. approved a procedure regarding allocations to the unions, which deals mainly with the following issues:

- Entitlement to, and the sum of, the allocation – based on the number of representatives in the Congress, as per the constitution.
- Audit and reporting – unions are required to submit accountant certification regarding the use made of the allocated funds, no later than six months after the end of the budgetary year.
- Utilization of allocated funds – the funds will be used for educational and ideological activities, as aforementioned.
- Payments – execution of payment by the W.Z.O. directly to vendors, on behalf of the union.
- Sanctions – imposed on unions not conforming to procedure guidelines.

At the Zionist Executive meeting in 2005, it was decided to establish an Exceptions Committee which shall handle those sanctions prescribed for unions that did not meet the timelines. In the past few years, the Committee was required to review several appeals from various unions.

The audit reviewed the entire matter of allocations to unions, including the implementation of procedure's guidelines. As part of this review, 20 transfers were sampled from union allocation items, which constitute approximately 30% of the budget. These were reviewed as regards the following: implementation and documentation of transfers, the unions' financial statements, imposition of sanctions as prescribed by procedure, supervision of the unions, etc.

The Audit's Findings:

- ♦ Section 12 to the Allocations to the World Zionist Unions Procedure, prescribes sanctions to be imposed against a World Zionist Union which fails to submit "an accountant's certificate regarding the use made of the allocation", within six months of the end of the budgetary year. The prescribed sanctions are as follows:
 - In the event of a delay of **one day or more**, the current allocation will be reduced by 50% compared to the allocation from the previous year for which the union was required to submit a statement.
 - In the event of a delay of six months or more, an additional 50% will be deducted.

The procedure states that these sums constitute a fine which will not be returned to the union under any circumstances.

Several years after the formulation of the procedure, the Zionist Executive decided on the establishment of an Exceptions Committee, which would review deviations from the prescribed timelines and which is seemingly authorized to annul or decrease the fines. **This decision was not updated in the procedure.** In actuality, the Exceptions Committee makes redundant the sanctions set forth in the procedure, and indeed, unions which did not conform to the guidelines make substantial use of the committee.

On the other hand, we believe the prescribed sanction to be too severe. It is not reasonable for one day's delay to have the same consequences as a delay of 180 days, and in any case, this sanction is usually not actually imposed (see below as well).

- ♦ In reviewing the Allocations to the World Zionist Unions file for 2006, we could not find any financial statements (or other accountant certificates regarding the use of allocated funds) for two of the 11 unions: "Kadima" and "Gil".

Kadima and Gil were established in 2006 and participated in the Zionist Congress in June, 2006. Furthermore, they merged with an existing union, "Hanoar Hatsioni". Kadima and Gil did not have separate financial statements for this year. Together, these two unions were allocated NIS 300,000 in 2006 (there are no details in the W.Z.O.'s books regarding the amounts received by each union) **but no alternative statement was required of them** (a performance statement or any other statement attesting to their activities).

- ♦ Section 14 to the Allocations to the World Zionist Unions Procedure dictates guidelines for the use of allocated funds, whereby the funds are supposed to serve that purpose set forth under Section 2 to the procedure, namely: "To aid ... in the realization of their educational and ideological activities for the fulfillment of the Zionist plan". If the W.Z.O. sees that the funds are not used for the aforementioned purpose, the W.Z.O. is entitled to demand that these funds be returned.

In actuality, no clear guidelines are set, or at least no main items, regarding "permitted expenses" and therefore the W.Z.O. does not exercise the aforementioned sanction, and no supervision actually takes place in this regard.

- ♦ From analyzing the unions' financial statements, it seems that the bulk of the funds are used for general and administrative expenses, or remain as surplus funds in the unions' treasuries.

Below are several examples of this phenomenon:

- 1) "Artzenu": 2006 ended with a surplus of approximately USD 95,000 out of revenues of approximately USD 260,000 (based on W.Z.O. data, approximately USD 133,000 from the above revenues were allocated funds), so that the surplus constitutes 37% of the union's revenues. In addition, USD 71,000, or an additional 27%, were used for general and administrative expenses (management and professional staff fees, travel expenses, etc.). Thus, 64% of all revenues for this year were not used for financing activities at all.
- 2) "Herut": 2006 ended with a surplus of approximately NIS 31,000, out of total revenues of approximately NIS 159,000, the entire sum of which was allocated by the W.Z.O. In addition, NIS 65,500 were used to pay salaries, and a sum of NIS 19,000 served to cover other administrative expenses. Thus, approximately 32% of the total revenues for that year were not utilized for financing activities but rather for the creation of surplus and to cover general and administrative expenses. **An additional 41%** were used to cover salaries, and it is not clear if these constitute a "permitted expense" as per the procedure.
- 3) "HaAvoda": 2006 revenues totaled approximately NIS 1.133 million, of which NIS 813,000 were allocated by the W.Z.O. (a portion of which NIS 237,000 for the Congress). Actually, total expenses for that year amounted to NIS 1.208 million, of which NIS 666,000 went to cover general and administrative expenses (55% of all expenses), and only NIS 206,000 (only 17%) went to finance activities.

Thus, the bulk of the allocated funds were used to finance general and administrative expenses.

4) "Israel Beitenu": 2006 revenues totaled NIS 221,000, of which NIS 170,000 were allocated by the W.Z.O. (based on W.Z.O. data). Total expenses for that year amounted to NIS 231,000, of which NIS 182,000 went to cover general and administration expenses, and NIS 28,000 covered additional general and administrative expenses (for a total of 88% of the union's expenses). A total of only NIS 22,000 (10% of all expenses) went to finance activities, most of which were participation in the Congress.

Here too, we can see that the vast majority of the allocated funds were utilized for covering general and administrative expenses.

The Finance Department's Response

It is not possible to attribute the W.Z.O.'s allocations to particular funds in a union's treasury, and the union's surplus funds do not necessarily reflect W.Z.O.'s allocations that were not utilized for financing activities.

- ♦ Even when there are expenses for activities, the W.Z.O.'s Finance Department does not have the tools to check whether or not the allocated funds were utilized for the purpose prescribed in the procedure. Thus, for example: in the Confederation's report, there are activity expenses which were registered as "periodic expenses", without any additional information, and in "Artzenu's" statement it is not clear whether expenses for "participation in the Congress" or expenses for financing other organizations meet the required criteria.

In summary, in general it would seem that this issue of matching the nature of the expense to the purpose of the allocation is not checked at all.

- ◆ The unions, with the exception of "Artzenu", do not submit accountant certification for their activities, as required under Section 11 to the procedure, but rather only audited financial statements, through which it is not possible to verify the nature of the activity, as aforementioned.
- ◆ Under Section 4 to the Allocations Procedure, allocations are supposed to be transferred in "equal monthly sums", and any deviation from this procedure requires the approval of the Chairman and the Treasurer. In actuality, the budget for the first half of 2007 was transferred in three payments, and the budget for the second half of the year was transferred in two payments. In 2006, the budget was transferred to the unions in different allotments.

The Audit's Recommendations:

- ◆ **We recommend imposing a new sanction in lieu of that prescribed under Section 12 to the procedure, as regards delays in the submission of financial statements by the unions. The authority of the Exceptions Committee must be determined in the procedure, including: under what circumstances the unions can appeal to the Exceptions Committee, in which cases the Committee has the authority to annul or decrease the fines, and by how much. Likewise, we recommend that the Zionist Executive approve in writing the updated procedure.**

The Finance Department's Response

The Finance Department has suggested that the Executive carry out changes to the Unions Procedure. The Department believes that the authority of the Exceptions Committee should not be determined through the procedure, so as to permit it greater freedom of action.

- ♦ To implement the sanction, which shall be prescribed under the new procedure, precisely and without leniency. We recommend to strictly insist on full documentation of those cases where sanctions were imposed or a resolution of the Exceptions Committee was implemented. As regards newly established unions, it is necessary to require them to submit accountant statements regarding their activities in the year of establishment, so as to make sure that the newly formed union's activities conform to the guidelines.
- ♦ As there is currently no supervision whatsoever regarding the utilization of funds, we recommend to immediately establish a mechanism for control and supervision of the union's use of allocated funds. As part of this mechanism, it is necessary to decide on a list of expense items, including salary expenses, which shall be considered "permitted expenses" in the context of the unions' educational and ideological activities for the fulfillment of the Zionist plan. We also recommend employing the Exceptions Committee in cases of doubt regarding the use of allocated funds.
- ♦ To receive explanations from the unions regarding the use of funds and to determine a maximum rate for the surplus that can be accrued in any given year. Should the union not utilize all the funds allocated for a particular purpose, this surplus should be offset from the sum allocated in the following year.

In addition, a maximum rate should be determined for the portion of general and administration expenses from the union's total turnover, as is customary in government-sponsored public institutions in Israel. In this context, it is also necessary to determine which expenses constitute general and administrative expenses, so as to minimize the unions' ability to misrepresent these expenses.

- ◆ **To formulate a procedure for verifying the use of allocated funds by the Finance Department, including instructions not to approve allocations to institutions which submitted "ambiguous" financial statements, which do not make clear the use made of the allocated funds.**
- ◆ **To demand that the unions meet the guidelines set forth in the procedure and submit accountant certification that that the allocated funds were used for a worthy purpose, after deciding on specific instructions regarding the nature of the permitted expenses. We recommend making the receipt of allocations contingent on the submittal of such a certificate.**
- ◆ **To minimize the procedure limitation regarding the number of payments in which allocated funds are transferred. We believe that funds can be transferred quarterly, while stipulating that transfer of allocated funds for the second quarter (after six months) depends on the submittal of financial statements and accountant certification.**

4.2 Hagshama Movements

The Hagshamah movements operate under the auspices of the Hagshamah Department, whose main purpose is to increase awareness towards Zionist fulfillment among youths and to reinforce the connection between the Jewish communities abroad and the State of Israel.

The movements are supported by the W.Z.O. through allocations for financing activities, totaling USD 1 million in 2006 and in 2007.

Currently, there are nine Hagshamah movements, and the distribution of allocated funds between them is determined by the Hagshamah Department. The Hagshamah Department is also responsible for supervising the movements.

This matter was reviewed by the Office of the Comptroller in 2004. As part of the current audit, we conducted sample examinations in order to check the implementation of the Comptroller's recommendations.

There are set procedures in this matter, governing the criteria for dividing the budget (based on a weighted average of the number of participants), receipt and review of reports from the movements, submittal of performance statements, etc.

The audit sampled the allocations for three Hagshamah movements – "Atid", "Bama", and "Tamar", while focusing on the Comptroller's recommendations.

The Audit's Finding:

- ♦ The Audit reviewed the implementation of the recommendations made in the previous audit report, and found that in general, the Hagshamah Department rectified flaws and implemented recommendations, except as regards internal control by the movements themselves regarding the data submitted. This issue is still not implemented, and is apparently outside the Department's control.

The Audit's Recommendation:

- ♦ **To instruct the Hagshamah movements on how to check the reports they submit. We recommend not carrying out the checks manually, but rather automatically, using computers. Subsequently, the Hagshamah Department itself must conduct supplementary checks and not rely only on those carried out by the movements.**

4.3 Zionist Federations

Allocations to the Zionist Federations are made as part of the Department's budget for Zionist activities. A federation is an organization uniting the Zionist organizations in a particular country. There are 32 Zionist federations around the world, of which 25 received allocations from the W.Z.O. in 2007, to a total amount of USD 730,000.

The Department for Zionist Activity implements a Allocation to the Zionist Federations Procedure, which dictates several conditions for the receipt of allocations. These conditions include: submitting an annual work plan, appointing an accountant, appointing an audit committee, submitting financial statements, etc. This procedure determines that in the event of an allocation of less than USD 12,000, there is no need for the federation to appoint an accountant, and it can utilize the allocated funds through direct payments to vendors that have rendered services for activities approved by the Department for Zionist Activity. Payment is made through the Finance Department.

According to the procedure, allocations are transferred in three installments, on certain dates of the year, provided that until each such target date, the federations submit those documents mandated by the procedure, e.g. – federations receiving more than USD 12,000 are expected to submit an accountant's report no later than August (prior to the transfer of the final third of the allocation).

This matter was reviewed by the Office of the Comptroller in 2005.

The audit reviewed the implementation of the Allocations to the Zionist Federations Procedure and also conducted sample examinations so as to verify implementation of the Comptroller's recommendations.

The Audit's Findings:

- ♦ The Allocations to the Zionist Federation Procedure does not prescribe sanctions for failure to conform to the guidelines, and does not include any authorization to approve deviations. For example: according to the procedure, federations are required to submit statements by the end of August. In actuality, they are permitted to submit their statements until the end of the year without any sanction being imposed. However, if no statement has been submitted by the end of the year, the outstanding balance of the allocation is not transferred to the federation (as indeed happened with the allocation to the Mexico federation's allocation for 2006).
- ♦ The federations submit financial statements regarding their activities, which are reviewed by the Department for Zionist Activity and by the Finance Department. We did not find any detailed examination of individual reference documents, so as to verify that funds were utilized for that purpose for which they were allocated, and it is not clear if there is any supervision in this matter. It should be noted that the procedure too does not refer to the issue of supervision.
- ♦ The main finding from the previous Comptroller's report deals with the lack of minutes from Executive meetings approving the sums allocated to the federations. In actuality, today there are tables which grant credit points to each federation based on a number of criteria, and after adding the data and determining

key sums, these tables are approved by the Executive
Propriety was found.

The Audit's Recommendations:

To include sanctions in the procedure for delays in the submittal of statements.

Response of the Head of the Department for Zionist Activity

Not transferring the allocated funds on time constitutes sufficient sanction.

- ◆ **The Finance Department and the Department for Zionist Activity should work together to update the procedure, so as to supervise the utilization of allocated funds, the level of such supervision, the documentation of supervisory actions, and the person responsible for said supervision. We recommend prescribing clear sanctions for cases where flaws are found regarding the use of allocated funds.**

4.4 Allocations to Reform and Conservative Religious Services

Since 2004, the W.Z.O.'s budget includes allocations for non-orthodox religious services, which have increased over the years from USD 400,000 in 2004, to USD 800,000 in 2008.

The body supervising these allocations is the "Zionist Executive Committee for Non-Orthodox Religious Services", which was established in June, 2004, and is comprised of a chairperson (who was recently replaced) and representatives from the Reform and Conservative movements in the Executive.

The Procedure on Allocations to Designated Zionist Activities was recently updated in February, 2007, and its main points are as follows:

- Designation of funds – funds are allocated for supporting projects outside the State of Israel and the United States, in those areas detailed in the procedure (mostly seminars and various activities).
- Submission of documents – the movements shall submit a certificate attesting the association's registration, an audited financial statement, a proper management certificate and an exemption from withholding tax certificate.
- Approval of requests – requests shall be submitted to the professional team appointed by the Chairman of the Executive. This team will review the applications and shall submit its recommendations to the Executive Committee which shall determine the sum of the allocation.

The audit reviewed the implementation of the procedure guidelines, the allocations approval process, and the nature of the expenses reported, as well as the implementation of the Comptroller's recommendations from the previous audit conducted in 2006.

The Audit's Findings:

The audit reviewed the procedure for financing non-orthodox religious services, dated February 2007, and the Procedure for financing and Control of Allocations for Designated Zionist Activities, dated March, 2008, which were approved following the previous audit conducted, as aforementioned, in 2006.

The audit believes that it is necessary to add to the aforementioned procedures references to the following points:

- ♦ To determine a maximum rate for the W.Z.O.'s participation in financing the project.

- ◆ To make sure that there is no double-financing for projects from another source in the W.Z.O. or in the Jewish Agency.
- ◆ To determine that allocated funds shall be paid in return of actual expenses and not in advance.
- ◆ To determine the dates of filing the requests, the content-based reports and the financial statements, and the dates for payment of the allocated funds. According to the procedure dated February, 2007, these dates are to be determined by the Executive Committee.
- ◆ To determine a uniform format for project cards, for content-based reports and for financial statements.
- ◆ To establish a control mechanism for the use of the allocated funds and to determine a source for financing the activity of such a mechanism.
- ◆ To determine the nature of those expenses which can be submitted to the Executive Committee for approval (e.g. – travel expenses for the spouses of Rabbis, food, gifts, etc.).
- ◆ Section G of the February 2007 procedure states that the Chairman of the Executive shall appoint a professional team from amongst the W.Z.O.'s employees for handling the allocations, and that this team shall answer to the Chairman of the Executive Committee.

This team has functions under Section E to the procedure, including: review of requests for allocations as per the entitlement guidelines, and submitting recommendations to the Executive Committee.

In actuality, the team appointed by the Chairman of the Executive **was not active** in the period of 2007 through August 2008.

- ◆ In this regard, let it be stated that in sampling four transfers carried out in 2007, totaling USD 375,000, we found that the procedure was not followed, both as regards process and as regards review of the projects submitted by the movements. In March of 2007, the Executive Committee recommended transferring an advance payment of USD 50,000 to each movement, and stated that the project approval process for the second half of the year would be completed by April of that year. In October, 2007, the Treasurer of the W.Z.O. approved the transfer of an additional USD 100,000 to each movement, without there having been any significant progress in the approval process, and on December 20, 2007, the Treasurer approved the transfer of up to 95% of the budgeted allocations, without anything having occurred.

Similar conduct occurred in 2008, where in April the Treasurer approved the transfer of 25% of the budget to the various movements, for a transfer of USD 100,000 to each movement. The transfer was approved subject to the Executive Committee and the Finance Department "receiving an orderly and updated report for each of these activities". This instruction is not clear, but even if in practice it specifies implementation of procedure guidelines, in actuality this did not happen. It should be stated that as of mid-August, 2008, each movement received a sum of USD 130,000 (in addition to the amount approved as aforementioned), without any of the procedure guidelines having been met.

- ◆ According to the procedures presented to the audit, it seems that the Executive Committee convened in March, 2007 and in June, 2008. The meeting in June, 2008, was summoned by the new Committee Chairwoman.

- ◆ The Finance Department did not receive financial statements for 2006 concerning the activities of the movements, both Reform and Conservative, and it is not clear whether or not the activities for which the allocation was paid was not financed through other means as well. Moreover, upon special examination ordered by the W.Z.O. from its accountant, and which was carried out in March, 2007, it was reported that there were inconsistencies between budget and implementation data in the W.Z.O.'s books for 2006 and data from the books of the movements themselves. For example, the books of the Reform movement show revenues from the W.Z.O. to the amount of USD 211,000, and the W.Z.O.'s books register allocations to the Reform movement to the amount of USD 146,000.
- ◆ The same examination carried out by the W.Z.O. accountant, found that the scope of the Conservative movement's activity for 2006 financed by the W.Z.O. was USD 150,000, but from this sum, documents for only USD 70,000 were submitted for examination. The scope of the Reform movement's activity financed by the W.Z.O. was USD 211,000, and from this sum, the movement submitted documents for only USD 150,000.

Furthermore, of those documents submitted for examination, there are expenses which are not related to the declared activity. For example: dinner expenses for 102 persons despite their having been only 42 attendants, purchase of hard liquor, travel and food expenses charged without any receipts, etc.

The Audit's Recommendations:

- ◆ **To integrate into the existing procedures those points detailed above in the audit's findings, so as to regulate the handling of allocations to non-orthodox religious services.**

- ◆ To utilize the professional team as detailed in the procedure.
- ◆ To adhere fully to the procedure and not approve the transfer of funds prior to the execution of those processes set forth in the procedure.
- ◆ To maintain orderly written minutes of the meetings of the professional team and the Executive Committee.
- ◆ Allocations to movements are not to be approved without receipt of financial statements regarding the expenditures made in the budgeted projects together with an accountant's certificate regarding the use of allocated funds. To urgently establish a control and supervision mechanism for the movements, including detailed examinations of the utilization of funds. In case of problematic findings, these should be investigated in depth and not passed over.
- ◆ To receive explanations for apparent deviations in the utilization of allocated funds in the aforementioned cases and in other cases which may arise as part of the ongoing supervision. We recommend that the W.Z.O. carry out this supervision by way of special examinations of the statements submitted by the movements. In view of past findings, it is necessary to increase supervision and offset from the ongoing allocation any sum which was inappropriately expended.

In view of all the aforesaid, the audit recommends to freeze at this stage the monetary transfers to the movements, until the whole process is carried out precisely according to procedure (including after the update thereof).

The audit states that the above recommendation was brought to the attention of the relevant persons upon the issue of the draft version of this report in September, 2008. After this date, the movements received an additional USD 375,000, and in total, a sum of USD 636,000 was transferred to the movements as of the date of the issue of the final report in November, 2008.

The Response of the Representatives of the Reform and Conservative Movements in the Zionist Executive

In the years 2007 and 2008, the movements submitted to the W.Z.O. Finance Department all documents necessary for approving the allocations, but lacking any enforcement of the provisions of the Financing of Non-Orthodox Religions Services Procedure, these documents were not examined.

5. Cash Flow

The Current Budget

Management of the W.Z.O.'s current cash flows is carried out mainly as regards the current budget, which amounts to USD 16 million per annum.

This budget is financed almost completely by the Jewish Agency and K.K.L., which each account for a sum of USD 7.8 million from the budget (up to and including 2006, K.K.L. transferred only USD 5 million).

The Jewish Agency transfers its portion every month, in two installments. The first payment (approximately USD 400,000) is executed on the first of the month, mainly so as to finance employee salaries, and the second payment (approximately USD 130,000) is executed on the 15th, mainly so as to finance related payments to salaries.

The monthly sum is based on the annual sum of the allocation, from which the estimates for those expenses financed by the Jewish Agency are deducted. These expenses fall into two categories:

- Overhead expenses for which the Jewish Agency charges the W.Z.O. during the year (rental fees, various services, etc.).
- Payments which the Jewish Agency expects to transfer during the year to organizations abroad, on behalf of the W.Z.O. and as part of its budget.

In 2008, a quarterly settling of accounts is carried out between the Deputy Director General of the Department and a referent from the Jewish Agency, which is used to determine the sums to be transferred by the Jewish Agency in the coming quarter. It is possible that this settling of accounts may result in the cessation of allocations, as it may be discovered that the Jewish Agency has transferred more than was necessary. This happens mainly when the total sum of payments actually transferred by the Jewish Agency abroad, directly, as part of the Jewish Agency financing the W.Z.O.'s activities, was higher than the estimate, as did indeed happen in 2007.

K.K.L. transfers its share of the budget at the beginning of each quarter, upon request of the Department Director General.

Shlichim

The budget for Shlichim is financed by the Jewish Agency as per the agreement signed by the parties. This budget is separate from the current budget and is kept in separate bank accounts.

The budget for Shlichim totals USD 24 million per annum, and is larger than the current budget.

The vast majority of the budget (approximately 95%) is utilized for salary and related payments to Shlichim. The salary preparation process is usually completed by the 25th of the month and at this stage the W.Z.O. issues a request to the Jewish Agency to transfer the funds for the employees' net salary to the various foreign currency accounts, based on the particular currency. After receiving the funds, the W.Z.O. transfers the net sum of the employees' salaries to the various treasuries abroad, which pay out the salaries to employees. The foreign currency accounts zero out at the end of this process.

Afterwards, by the 15th of the month, the Jewish agency transfers the sum for salary related expenses, to a NIS account of the W.Z.O., and the latter executes payments to the authorities.

At the end of every such process, the Jewish Agency's outstanding balance for Shlichim is zeroed.

The Settlement Division

Additional activity carried out through the W.Z.O.'s bank accounts is payment of salaries for the employees of the Settlement Division (hereinafter: **the Division**), whose budget is financed by the Israeli Ministry of Finance.

Approximately one week before the end of each month, the Salary Branch of the Jewish Agency provides the Division with a file which includes all salary costs for the Division's employees. This file is reviewed by the Division, which then submits a corresponding request to the supervising accountant at the Budgets Branch of the Israeli Ministry of Finance.

At the beginning of each month, the Ministry of Finance transfers to the W.Z.O., in one lump sum, an allocation to the amount of the salary costs for the Division's employees.

The W.Z.O. pays the employees' salaries and all related expenses to the State authorities in the middle of each month.

Payment of salaries to the Division's employees does not necessarily depend on the transfer of funds from the Ministry of Finance, and occasionally, it is possible that the W.Z.O. will temporarily finance these salaries for several days or for several months. 2003 saw an unusual occurrence, where the Ministry of Finance failed to transfer the funds for a prolonged period of time, due to problems with the approval of the national budget. On the other hand, the W.Z.O. could not delay payment of the employees' salaries, and these were indeed paid to the Division's employees, by way of extension of credit by the bank, which credit reached a maximum amount of NIS 18 million.

Investments

The Finance Department invests its available cash reserves in several different avenues, subject to internal consultation and the receipt of price quotes from the banks.

Cash reserves are not invested in high-risk avenues, but rather strictly in solid and low-risk avenues, including foreign currency investments.

The interest rates offered to the W.Z.O. by Leumi Bank are identical to the interest rates offered to the Jewish Agency.

Investments are divided into Shekel currency and foreign currency as per the expected expenditure mix, so that, usually, foreign currency revenues remain in foreign currency linked investments, and later these funds are utilized for foreign currency expenses.

The decision is made by the Department CEO and is implemented by the Payments Supervisor.

Lines of Credit

The W.Z.O.'s current account at the Leumi Bank is provided with credit to the amount of USD 1 million, and additional credit to the amount of NIS 5 million, which has not been utilized in recent years due to surplus cash reserves.

Cash Flow Performance

In recent years, the W.Z.O.'s cash flows have improved considerably, and as of the end of 2007, its cash reserves at the banks, based on the draft financial statements for 2007, amount to NIS 31 million. Therefore, in recent years, the W.Z.O. was not required to cope with cash flow shortages, and it does not utilize the credit extended by the bank, to the amount of NIS 5 million.

In the past, the W.Z.O. had to deal with these kinds of situations, where it ceased all activities not related to hard expenses, and increased its line of credit at the bank as necessary.

The audit reviewed various aspects of cash flow management at the W.Z.O., including: examination of the completeness of revenues received from the Jewish Agency and K.K.L., account matching vis-à-vis the Jewish Agency, investments, preparation of monitoring reports and management of bank accounts.

The Audit's Findings:

- ♦ Monitoring of the W.Z.O.'s cash flows is not carried out by designated computerized methods, but is rather based on the occasional preparation of a budget utilization report for a certain date, which provides insight to the W.Z.O.'s cash flow. This report is not subsequently saved.
- ♦ The W.Z.O.'s investment policy is to invest strictly in solid avenues, while distinguishing between Israeli currency and

foreign currency. This policy is not anchored in writing, including the investment mix between Israeli and foreign currency (an issue which is especially relevant today), as well as the investment process.

- ♦ The W.Z.O.'s authorized signatory procedure consists of several authorized signatories, and is a decades-old document including the names of several functionaries. It is not clear how many of these functionaries are currently relevant. This book is appended by a substantial number of documents, dictating specific instructions regarding changes, signatory rights hierarchies and the addition of authorized persons. In actuality, it is not possible to form a complete understanding of the situation, and in the vast majority of cases, the signatories are the Department Director General and the Payments Supervisor.
- ♦ Upon examining the completeness of revenues received in 2006 and 2007 from the Agency and from K.K.L., it was found that the W.Z.O. received all allocations as agreed, including as regards the agents – **Propriety was found**.

The Audit's Recommendations:

- ♦ **To switch to computerized monitoring of cash flows, using a form that would allow the Department to receive information at any given moment regarding the expected cash flow situation for the coming months. This form would include the following data: the current situation at the banks, issued checks and planned transfers, including obligations for payment and expected revenues. This methodology would assist in correctly planning the investments held at the banks today, and would aid in properly handling future cash flow problems, should any such conditions arise.**

The Finance Department's Response

The existing work processes in this area are sufficient, and there is no need for cash flow management software which would not improve actual cash flow management, including in times of trouble.

- ♦ **To anchor in writing the W.Z.O.'s investment policy, and to refer in depth to the issue of foreign currency investments. Guidelines should be determined regarding the frequency of receiving offers from other banks, and the extent of the Department Director's General discretion in carrying out investments in special avenues, including foreign currency.**
- ♦ **We recommend formulating one single updated document, which shall detail all authorized signatories and their permission hierarchy, in a clear and orderly manner. We recommend that this document be approved by an attorney, as is customary, including date, signature, and signet.**

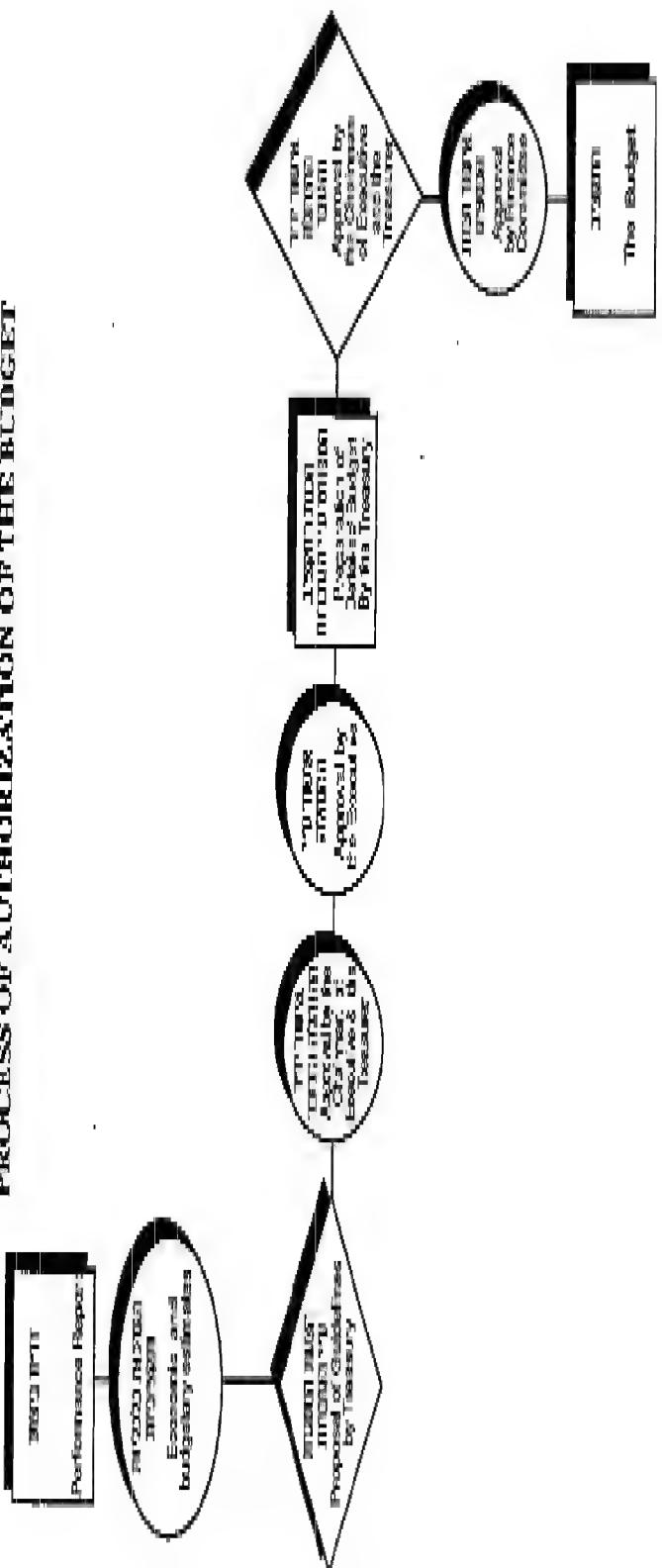
The Finance Department's Response

Authorized signatories are approved by the Zionist Executive and there is no need for an attorney's signature.

December 2008

Appendix

PROCESS OF AUTHORIZATION OF THE BUDGET



**Summary and Recommendations of the
Zionist Executive Committee
for Response to the Comptroller's Report on
The Finance Department**

This time, the audit focused on 3 items:

- Allocations transferred by WZO under its current budget
- Budget management
- Cash flow

Prior to formulating my response in the matter, I conducted a series of meetings with the Director of the Finance Department, with the Comptroller to receive more comprehensive clarifications regarding his recommendations, and with those parties receiving allocations from WZO, mentioned in the report.

As regards the section dealing with the transfer of allocations, they refer specifically to non-orthodox movements, Zionist federations around the world, to the *Hagshamah* movements, the unions and institutions budgeted by the World Zionist Organization, such as the Bialik institute.

As regards the Zionist unions, the Director of the Finance Department and the committee member accept the Office of the Comptroller's recommendation as regards the urgent need to update and elaborate the existing written procedures, to receive such support.

In this matter, the committee member met with representatives of the unions so as to obtain information and clarify the procedure.
It should be noted that the Director of the Finance Department already has a detailed proposal on the matter.

Hagshamah Movements – The Office of the Comptroller's recommendation stating that in addition to the reports submitted by the movements, the *Hagshamah* Department must itself conduct complementary and sample examinations, is accepted.

Zionist Federations – The Office of the Comptroller's recommendation that a model should be set for the Federations' reporting on the utilization of these funds, is accepted. Furthermore, another recommendation by the Office of the Comptroller stating that the Department should see to it that the Federations receiving financial support should note in their report the name of the person responsible for the report abroad, is likewise accepted.

Non-Orthodox Religious Services – The procedure mandating the use of these allocations must be finalized immediately. We believe that the executive committee for this support must finalize the procedure with no further ado. Furthermore, the Office of the Comptroller's recommendation that formal and ongoing committee minutes must be issued to all persons involved, must also be fulfilled.

The Office of the Comptroller's recommendation is accepted - discrepancies found between the provided allocations and the presented reports must be clarified and examined immediately.

As regards cash flow in the Finance Department, the Director General of the Finance Department will act as per the Office of the Comptroller's directive.

Jerusalem, February 2010

**Short-Term *Shlichuyot* at the
World Zionist Organization**

**Summary and Recommendations of the
Zionist Executive Committee
for Response to the Comptroller's Report**

Short-Term *Shlichuyot* at the World Zionist Organization

The Main Findings:

Background

- A short-term *shlichut* is when an employee at the World Zionist Organization or of an external body goes for overseas activity on its behalf for a period of up to 21 days and not more than 30 days in a year.
- To mid-2007, the departments of the World Zionist Organization themselves approved the short-term *shlichuyot* funded by them.
- In July 2007, the Chairman of the Zionist Executive appointed a “Committee for Short-term *Shlichuyot*”, the members of which were the secretary of the Executive (the committee chair), the Director-General of the Finance Department and the director of the Human Resources Division.
- The powers of the committee were defined in the procedure “Short-term *shlichuyot* in the World Zionist Organization”, published in July 2007, in which it was determined that the committee had the power to examine and approve short-term *shlichuyot* of employees and of outside parties who were sent abroad on behalf of the World Zionist Organization.
- With respect to *shlichuyot* of members of the Executive, the Director-General of the Finance Department and public figures, it was determined that these were to be brought to the attention of the Committee for Short-term *Shlichuyot* but the power to approve them would remain in the hands of the Chairman of the Zionist Executive.

- In 2008, there was a decline of some 30% in the short-term *shlichuyot* as against 2007. To the end of November 2008, there were 87 short-term *shlichuyot*, the cost of which came to USD 146,000 as against 128 *shlichuyot* in 2007 at a cost of USD 245,000.

Procedures

- The folder of World Zionist Organization procedures include a procedure “Short-term *shlichuyot*” from 1996 which has not been updated. The new procedure of 2007 is partial and not integrated in the procedures folder.
 - In the old procedure, the directives regarding payment of per diem expenditures are not up-to-date. In the new procedure, there is no reference to this subject. The payment is actually made according to the procedure at the Jewish Agency.
 - There is no reference to the matter of approval for combining a private vacation and/or adding a family relative on a trip in the framework of a short-term *shlichut*.
- With establishment of the Committee, it was determined that it would act to the extent possible according to the procedures of the Jewish Agency.
- Updated directives in the matter of short-term *shlichuyot* are not anchored in the procedure. For example:
 - Inclusion of the trips of heads of departments in the annual work program.
 - The transfer of the authority to approve short-term *shlichuyot* of the former directors-general of departments to the committee, following their change of status to “department directors”.

Supervision and control

- The statistical data on the short-term *shlichuyot* and the financial costs entered in the *Shelah* system are inaccurate and, therefore, do not permit presentation of a true picture of the *shlichuyot*. For example:
 - “The *shlichuyot* days include the whole of the period spent overseas, among them vacation days and the days spent overseas as part of a *shlichut* for an external body.
 - The per diem allowance as well as reimbursement of work-related expenditures match the amount actually paid to the *shlichim*.
 - The costs recorded do not include those paid through the overseas treasuries.
- Neither the departments at the World Zionist Organization nor the Finance Department have any control over the financial charges the overseas treasuries make directly to the budgets of the departments.
- The short-term *shlichuyot* work program is not supported by a detailed budget and the travel timetable is not always attached. At the end of the *shlichut*, a summary report is not submitted to the committee. The committee, therefore, has no overall view or means of control over the short-term *shlichuyot*.

Overseas travel insurance

- For *shlichuyot* where the flight is not paid for by the World Zionist Organization, the *shaliach* is not aware that he has to deal with arranging medical and luggage insurance for the whole of the period of his stay overseas and that he must insist that the policy matches his medical condition.

- Care is not exercised to set off the cost of the insurance from the per diem allowance of the *shaliach* for vacation days added to the *shlichut*. Where an expanded policy is acquired for him, the set off is made at a fixed rate rather than according to the actual cost of the insurance.

El Al Frequent Flyer Club points

- The policy followed at the Jewish Agency according to which use of the Frequent Flyer Club points is forbidden is not anchored in the procedure of the World Zionist Organization.
- There is no follow-up in the Flights Section on obtaining the signatures of the *shlichim* on a written undertaking on the prohibition on private use of the points and an undertaking by the *shaliach* to provide the Section with the access code to his account in the Club. The purpose of this is so that these points can be used for subsequent *shlichuyot* on behalf of the World Zionist Organization / Jewish Agency.
- With the means available to the Flights Section, there is a difficulty in keeping records of the flight points and utilizing them effectively.
 - The records in the *Shelach* system are partial and inaccurate.
 - The records contain only *shlichim* who are employees of the organization and only El Al flights.
 - No care is taken to prefer use of flight points that are about to expire.
 - Private use was found to have been made of flight points belonging to the World Zionist Organization or the Jewish Agency.

Members of the Executive, Director-General of the Finance Department and Public Figures

- In 2007, there were 39 short-term *shlichuyot* of members of the Executive, directors-general and public figures, the cost of which came to USD 109,000. To the end of September 2008, there had been 29 short-term *shlichuyot* at a cost of USD 81,000. The figures do not include hotels and costs paid through overseas treasuries (internal flights, trains, hiring of drivers and so on).
- The June 1999 decision of the Zionist Executive to apply the “Reimbursement of work-related costs to members of the Executive and directors-general” procedure of the Jewish Agency to the World Zionist Organization requires that the World Zionist Organization make adjustments deriving from the structure and existing powers at the World Zionist Organization. We also recommend adopting the policy that is supposed to be determined soon at the Jewish Agency regarding *shlichuyot* of public figures.
- Short-term *shlichuyot* of members of the Executive, the Director-General of the Finance Department and public figures are not reported to anyone at all. We recommend that the Chairman of the Executive submit an annual report to the Zionist Executive.

Introduction

A short-term *shlichut* is when an employee at the World Zionist Organization or of an external body goes for overseas activity on its behalf for a period of up to 21 days and not more than 30 days in a year.

To mid-2007, the departments of the World Zionist Organization themselves approved the short-term *shlichuyot* funded by them.

In July 2007, a “Committee for Short-term *Shlichuyot*” was set up at the World Zionist Organization for the first time and began functioning on August 15, 2007. The members of the Committee, who were appointed by

the Chairman of the Zionist Executive, are: the secretary of the Zionist Executive (who serves as the committee chair), the Director-General of the Finance Department and the director of the Human Resources Division.

The Chief-of-Staff of the Office of the Chairman of the Zionist Executive determined that the committee should operate, as far as possible, according to the Jewish Agency procedures and instructed the committee to set its own work arrangements.

In the “Short-term *shlichuyot* at the World Zionist Organization” procedure, of July 2007, it is determined that the committee has the authority to examine and approve *shlichuyot* of employees and of outside persons who are sent on behalf of the World Zionist Organization. As to *shlichuyot* of members of the Executive, the Director-General of the Finance Department and public figures, it was determined that they be brought to the attention of the Committee for Short-term *Shlichuyot*, but that the power to approve them would remain in the hands of the Chairman of the Zionist Executive.

The audit looked at how the short-term *shlichuyot* at the World Zionist Organization have been handled since establishment of the Committee in November 2008.

We note that we have recently conducted a similar audit on topic: Short-term *shlichuyot* at the Jewish Agency.

Data

The *Shelach* system is a system for management of *shlichuyot* at the Jewish Agency and World Zionist Organization which was developed in 1992 and renewed in 2000.

The *Shelach* system contains the particulars of the *shaliach*, data about the *shlichut*, the state of the requisite authorizations in the process of approving the short-term *shlichut* and the cost of the *shlichut*. The agenda and minutes of meetings of the committee for short-term *shlichuyot* are produced through the system.

a. The statistical data in the *Shelach* system:

In the following table, we summarize the data from the *Shelach* system about the short-term *shlichuyot* at the World Zionist Organization, by department and unit, from 2007 to November 27, 2008.

In the data about the status of the *shaliach*, we differentiated between employees of the World Zionist Organization, members of the Executive department directors (formerly departmental directors-general) and public figures. The other *shlichim* are not employees of the organization.

In the figures for types of *shlichut*, we differentiated according to the *shlichut* purpose: work tour, convention, seminar, training and lectures as well as overlapping for a long-term *shlichut*.

In the data on *shlichut* destinations, we differentiated between the countries of North America, Latin America, Europe, the Commonwealth of Independent States and other (Australia and South Africa).

It follows from the data in the table that most the *shlichuyot* at the World Zionist Organization are of *shlichim* who are not employees of the organization, who travel mainly to the countries of Europe for work tours. We also found that, in 2008, there was a decline of some 30 percent in the number of short-term *shlichuyot* as against 2007.

Following are data on short-term *shlichuyot* at the World Zionist Organization from 2007 to November 27, 2008, from the *Shelach* system.

Short-term *shlichuyot*

Unit	<i>Shlichut</i> days	Number of <i>shlichuyot</i>	Per diem days	Destination				Status				
				Total cost	America	Latin America	Europe	CIS	Other	WZO employee	Not WZO employee	Executive member / department director
2007												
Fundraising	13	1	13	8,350	1	18	1	2	3	21	1	
<i>Hagshamah</i>	242	32	176	70,260	7	4	1			7	1	
Overseas <i>Hasbarah</i>	1	1	1	1,226			1				1	
Unit for Zionist <i>Shlichut</i>	61	10	54	22,124	5	1	4			8	2	
Finance	19	3	17	13,625	1	1	1			1		
Zionist projects	29	3	20	13,322	1	2	2			1		
Zionist activity overseas	266	30	177	76,740	5	5	18			2		
Religious services	361	48	187	93,319	4	3	41			2	33	13
2007 total	992	128	645	298,966	23	15	85	1	4	65	38	1
2008												
<i>Hagshamah</i>	246	39	192	94,024	7	1	26	4	1	3	28	8
Unit for Zionist <i>Shlichut</i>	12	2	6	2,305	1		1			2		
Finance	16	4	11	13,874	3	1				1		3
Zionist activity overseas	74	8	60	26,582	2	2	4			2	2	4
Religious services	300	34	143	93,604	4	2	28			1	19	14
2008 total	648	87	412	230,389	17	5	60	4	1	9	49	29

Unit	Purpose of the <i>shlichut</i>				
	Work tour	Convention	Seminar	Training	<i>Shlichut</i> overlap
2007					
Fundraising	1				
<i>Hagshamah</i>	27	1	4		
Overseas <i>Hasbarah</i>	1				
Unit for Zionist <i>Shlichut</i>	10				
Finance	3				
Zionist projects	3				
Zionist activity overseas	27	3			
Religious services	43		1	4	
2007 total	115	4	5	4	
2008					
<i>Hagshamah</i>	16		21	1	1
Unit for Zionist <i>Shlichut</i>	2				
Finance	4				
Zionist activity overseas	8				
Religious services	23	4		7	
2008 total	53	4	21	8	1

The above table shows the *shlichut* days and per diem days for the *shlichuyot* of all the departments and units of the World Zionist Organization.

The audit shows that the entries in the *Shelach* system do not provide accurate data about the “net” *shlichut* days.

- The figures for “number of *shlichut* days” actually include the whole period of the stay overseas, among them private vacation days.
- The “number of per diem days” cannot reflect the net *shlichut* days because outside bodies often bear the cost of the per diem days (when the *shlichut* is shared between the World Zionist Organization and another body).
- The figures for the “number of work days” in the *Shelach* system also can not provide an answer because they do not include Fridays and Saturdays, for which per diem is paid and which are a part of the *shlichut* days.

b. The financial data in the *Shelach* system:

The flight cost

The financial data in the *Shelach* system are stated in dollars and include the cost of the flight, the per diem costs and other costs (such as medical and baggage insurance, visa, car hire, travel by taxi or train, internal flights and so on).

Until recently, the flight cost entered in the *Shelach* system was not the true cost. The cost was set by *shlichut* destination and in accordance with a price-list fed into the *Shelach* system in the past but not updated according to the actual prices.

The Office of the Comptroller was told that, since April 2008, the full particulars of all flight itineraries included in the *shlichut* are fed into the *Shelach* system. Subsequently, the Flights Section inputs the exact price of the flights into the system.

At the same time, we found instances, in a random check, where there is no match between the flight cost entered (in dollars) in the *Shelach* system and the cost recorded in the *Mankal* 2000 financial system. For example:

The <i>shaliach</i>	Department	Destination	Date of <i>shlichut</i>	Cost in <i>Shelach</i>	Cost in <i>Mankal</i> 2000
<i>Shaliach A</i>	Zionist Activity	USA	May 2008	2,169	2,768
<i>Shaliach B</i>	Zionist Activity	USA	September 2008	4,295	3,561
<i>Shaliach C</i>	Zionist Activity	England	September 2008	873	655

From a clarification with the Flights Section, it follows that there are a number of possible reasons for the difference in the cost of the flight. For example:

- a. A change in the price of the flight in the period between inputting of the *shlichut* into the *Shelach* system and the stage of ticketing it.

- b. The Flights Section debits the budget of the department with respect to changes in the flight which the department requires after the ticketing stage. This debit does not show in the *Shelach* system.
- c. The Flights Section debits the budget of the department at a rate of 11 percent (department commission). Until about a year ago, the commission was not included in the price of the flight fed into the *Shelach* system.

For the reasons shown above, in some instances the cost of the flight entered in the *Shelach* system is not the actual cost.

Cost of the visa

Following the audit report we prepared recently about short-term *shlichuyot* at the Jewish Agency, the fixed price-list of visa costs was removed from the *Shelach* system. The Flights Section advised us that, as of July 2008, the visa cost is input manually, for each *shlichut*, depending on the country of destination and the number of actual days of the *shlichut*.

Cost of per diem

At the end of the *shlichut*, the per diem amount actually paid to each *shaliach* is not updated in the *Shelach* system.

The actual amount paid in practice contains not only the per diem allowance but also additional components. For example:

- a. Increment to the per diem allowance for actual flight times which often entitle the *shaliach* to an additional day or half-day of per diem allowance.
- b. Payment for the hotel stay is made on the basis of the receipt the *shaliach* submits to the Finance Department at the end of the *shlichut*.

- c. When doing the accounting with the *shaliach*, he is also reimbursed for work-related expenditures he had during the *shlichut*. For example: taxis to and from the airport and the hotel.

In other words, the per diem amount input into the *Shelach* system prior to the *shaliach*'s departure is not the per diem amount actually paid to the *shaliach*.

Costs of the *shlichut*

In instances where the overseas treasuries make the payments for hotels, internal flights, train tickets, hiring the services of drivers and so on, they debit the budgets of the departments at the World Zionist Organization directly. These debits do not show up in the *Shelach* system but only in the *Mankal* 2000 system. It is to be noted that the *Shelach* system has an initial estimate for these expenditures but not the amounts actually paid.

In other words, the financial data in the *Shelach* system do not reflect the actual, overall cost of the *shlichuyot*.

To sum up, the Office of the Comptroller notes that neither the statistical data nor the financial data in the *Shelach* system reflect a true picture of the situation of short-term *shlichuyot* at the World Zionist Organization.

c. The financial data in the *Mankal* 2000 financial system:

There is a budgetary line in the budget of the departments earmarked for short-term *shlichuyot*. Following are the figures for the budget and the actual expenditures for 2007–2008 (in dollars):

Short-term <i>shlichuyot</i>	2007		2008	
	Budget	Actual	Budget	Actual
<i>Hagshamah</i>	46,500	52,726	57,168	54,312
Activities in Israel	20,500	22,720	16,400	13,443
Activities overseas	-	-	13,768	13,766
Head Office	26,000	30,006	27,000	27,103
Zionist Activities	50,000	60,880	37,500	21,503
Zionist encouragement and leadership development	5,000	5,324	4,500	3,908
Projects education caravan	-	8,927	-	-
Head Office	45,000	46,629	33,000	17,595
Center for Religious Affairs in the Diaspora	81,500	81,629	82,000	55,947
Reform and Conservative activities (allocations)	-	-	1,430	1,427
Zionist projects in Israel	18,000	17,315	-	-
Overseas <i>Hasbarah</i>	-	761	-	-
Head Office	18,000	16,554	-	-
The Finance Department	3,500	5,051	3,000	7,403
Marketing	-	-	-	2,010
Fundraising	-	4,187	-	-
Zionist Archives – administration and organization	1,000	-	-	-
Executive secretariat – members of the Executive	5,000	545	5,000	225
Unit for Zionist <i>Shlichut</i>	20,000	23,181	25,000	3,555
Representation of the Zionist Movement on the Israel committee of the Board of Governors	-	-	5,500	-
Total expenditure	225,500	245,514	216,598	146,382

Note: The figures are correct to November 27, 2008, after changes were introduced, during that month, in the budgetary lines of the departments.

It can be seen from the data in the table that the budget for short-term *shlichuyot* was overspent by some USD 20,000 in 2007. The deviation was in the following departments: *Hagshamah*, Zionist Activity, Finance and the Unit for Zionist *Shlichut*. The deviation stemmed from expenditures which had not been budgeted in advance, such as: *shlichuyot* as part of the Education Caravan project of the Department for Zionist Activity and *shlichuyot* in the framework of fundraising and *Hasbarah* overseas.

The director of the Department for Zionist Activity advised in response that, towards the end of the year, a request had been sent to budget the Education Caravan project but the request was not carried out.

By November 27, 2008, 68 percent of the total short-term *shlichuyot* budget had been used. At the same time, the *shlichuyot* budget of the Finance Department was overspent.

Our audit found that the *Hagshamah* Department has a line “Activities in Israel” in which are entered the flight costs and per diem for *shlichuyot* overseas. This is in addition to the costs of the *shlichut* of the Department which are entered in the “Activities abroad” line.

In a number of departments, expenditures for short-term *shlichuyot* are entered in separate budgetary lines but, in practice, the *shlichuyot* are not carefully sorted according to the subjects of these lines.

The Office of the Comptroller recommends that the sub-lines be unified so that each department will have one budgetary line for the short-term *shlichuyot*. Furthermore, the *shlichut* lines of the departments should be carefully budgeted to preclude overspending deriving from a lack of budgeting.

The director of the Department for Zionist Activity and the director of *Hagshamah* advised in response that they accept the audit recommendation.

The Director-General of the Finance Department of the World Zionist Organization advised in response that the recommendation will be examined with the departments and he will act for its implementation.

The following findings emerge from an examination of the costs entered in the *Mankal 2000* system:

A *shaliach* of the *Hagshamah* Department went on *shlichut* to the United States in June 2008 for the purpose of overlap prior to a long *shlichut*. According to the *Mankal 2000* system, in addition to the flight cost and per diem, the Department was debited with a payment for “reimbursement of flight ticket”.

Having looked into it we learned that the *shaliach* was supposed to return to Israel on a Continental Airlines flight. The company postponed the flight from Thursday night to Friday morning. Since this flight was expected to land in Israel on the Shabbat, the *shaliach* purchased another ticket for himself with El Al, at the price of USD 1,540.

At the end of the *shlichut*, the Director-General of the Finance Department and the Committee for Short-term *Shlichuyot* were asked to approve retroactively reimbursement of the costs to the *shaliach* with respect to the El Al ticket. After approval, the reimbursement was paid to the *shaliach* as part of the per diem report he filed. As noted, the budget of the *Hagshamah* Department was debited accordingly.

We recommend to the Flights Section that a directives sheet be attached to the flight ticket of the *shaliach* to the effect that whenever he has to make any change in the flight – the *shaliach* must contact the Flights Section.

Similarly, we recommend adding a directive for the *shaliach* that, when a price increment is required for the price of the new flight, approval is to be sought from the direct supervisor so that other alternatives can be examined (such as the cost of overnight and per diem for an extra day).

The Flights Section advised the Office of the Comptroller that, in the above instance, a credit of USD 564 was received from Continental Airlines with respect to the unused return flight.

The audit found that the budget of the *Hagshamah* Department was not credited following the financial reimbursement obtained from the airline.

The Director-General of the Finance Department of the Jewish Agency advised in response that the credit was utilized in the budget of the World Zionist Organization, in the Unit for Zionist Activity Overseas. He explained that the credit was made in accordance with the actual utilization possibility rather than according to the departments whose budgets had been charged.

Three *shlichim* from the *Hagshamah* Department went on *shlichut* to Denmark in May 2008. In the *Mankal 2000* system, in addition to the cost of the flight, the Department was charged USD 352 for their “flight cancellation”.

The Flights Section told us that there had been no cancellation of the tickets of these three *shlichim*. We found out that this was a debit of the Department for changes in the flight tickets after the ticketing stage.

The Office of the Comptroller recommends that the Finance Department of the World Zionist Organization be punctilious about stating in the *Mankal 2000* system the exact reason for charges made in the budgets of the departments.

A *shaliach* of the Department for Zionist Activity Overseas went on a *shlichut* to Mexico in September 2008. In the *Shelach* system, it is recorded that the Department for Zionist Activity and the *Hagshamah* Department will pay for the cost of the *shlichut* equally.

The audit of the *Mankal 2000* system found that the cost of the flight was paid by the two departments but the per diem and reimbursement of work-related expenses at USD 2,248.44 were debited to the budget of the *Hagshamah* Department only.

The Office of the Comptroller recommends that the Finance Department debit the Department for Zionist Activity with half the cost of the per diem and reimbursement of work-related expenses and credit the budget of the *Hagshamah* Department accordingly.

Similarly, the Office of the Comptroller recommends that each department perform a periodic follow-up on the charges made in its short-term *shlichuyot* line.

The director of the *Hagshamah* Department advised in response that he accepts the Comptroller's recommendation and will act accordingly.

Overseas Treasuries

The overseas treasuries debit the budgets of the departments directly, each month, with respect to payments made through them.

The departments do not receive any details of the *shlichuyot* and of the costs with respect to which the overseas treasury charged their budget. For example: hotels, internal flights, trains, hiring of drivers and so on.

That is to say, the Finance Department of the World Zionist Organization and the actual departments have no possibility for control over debits to the budget which the overseas treasuries make.

Similarly, they cannot guarantee that the treasury pays for the *shlichim* only the expenditures which the Committee for Short-term *Shlichuyot* approved.

The Office of the Comptroller recommends to the Directors-General of the Finance Departments, both of the Jewish Agency and of the World Zionist Organization, that they arrange the modus for control and supervision over the charges the overseas treasuries make in the budgetary lines of the departments.

The approval process for short-term *shlichuyot*

a. The Committee for Short-term *shlichuyot*

As noted, the Committee for Short-term *Shlichuyot* has been operating since August 15, 2007. The Committee determined that it would convene weekly at a fixed time and the representatives of the departments who were appointed to be in charge of the short-term *shlichuyot* in the departments, would participate in the meetings of the Committee for the purpose of submitting the requests for short-term *shlichuyot* and the provision of clarifications.

The Office of the Comptroller was told that in practice the Committee does convene almost every week and, in urgent cases, the *shlichut* is approved by a round of telephone calls.

Three department directors (former departmental directors-general) in the departments of: *Hagshamah*, Zionist Activity and Center for Religious Affairs in the Diaspora, were appointed by the departments to serve as those responsible for the short-term *shlichuyot* in the department. The Director-General of the Finance Department is responsible for the topic of short-term *shlichuyot* in the Finance Department and the Unit for Zionist *Shlichut*.

As noted, the “Short-term *shlichuyot* in the World Zionist Organization” procedure determines that the length of a short-term *shlichut* shall not exceed 21 days and that the total time spent overseas shall not exceed 30 days in a year, apart from exceptional instances, requiring the approval of the Committee for Short-term *Shlichuyot*.

The Office of the Comptroller notes that, in 2007 and to the date of the audit in November 2008, there was no deviation by employees or outside bodies from the quota set in the procedure.

b. Work program for short-term *shlichuyot*

The departments and units of the World Zionist Organization are required, according to the procedure, to submit to the Committee by December 31, an annual work program for short-term *shlichuyot*. The program must detail the types of *shlichut* and the number of *shlichut* days of employees and of outside parties going on *shlichut* on its behalf. The work program can be updated in the middle of the year, with prior coordination with the Committee for Short-term *Shlichuyot* and within the confines of the approved budget.

The audit found that the Department for Zionist Activity, the Finance Department and the Unit for Zionist *Shlichut* did not submit the 2008 work program for short-term *shlichuyot* to the Committee.

Similarly, the number of *shlichut* days of anticipated *shlichuyot* in the *Hagshamah* Department is not stated in the work program.

The Office of the Comptroller recommends that the departments insist on preparation of annual work programs of the short-term *shlichuyot* and forward them to the Committee for Short-term *Shlichuyot*.

We also recommend that the work program for short-term *shlichuyot* be backed by a detailed budget, as is the norm at the Jewish Agency.

The director of the Department for Zionist Activity advised in response that he accepts the audit recommendation.

The secretary of the Committee clarified to the departments, in a letter dated December 5, 2007, that trips by the heads of the departments should also be included in the work program even though it is the Chairman of the Executive who approves them.

The audit found that the work program of the Department for Zionist Activity and of the Center for Religious Affairs in the Diaspora did not include anticipated trips of the heads of the departments.

We recommend that the request of the Committee to include the anticipated trips of the heads of the departments in the departmental work program be anchored in a procedure.

The director of the Department for Zionist Activity advised in response that he accepts the audit recommendation.

In order to supervise the mode of implementation of the work program of the short-term *shlichuyot*, the mode of their performance and compliance with the budget, we recommend that, at year end, the departments should submit to the Committee a summary report which will compare the *shlichuyot* in the work program and the *shlichuyot* which actually happened, with reference also to the budget and actual expenditures.

c. Submission of a request for travel on a short-term *shlichut*

The procedure determines that a request form for travel on a short-term *shlichut*, together with the itinerary (containing the *shlichut* destinations and the timetable for the journey), be submitted to the Committee for Short-term *Shlichuyot* not later than 14 days prior to the date of departure for the *shlichut*. The form has to be signed by the *shaliach* and by the director of the finance division in the department and the director of the department.

The audit found that the timetable for the trip was not always submitted to the Committee. For example:

- a. A *shaliach* from the *Hagshamah* Department went on a *shlichut* to Holland in December 2007.
- b. A *shaliach* from the Center for Religious Affairs in the Diaspora went on a *shlichut* to Italy in May 2008.

The Office of the Comptroller recommends that all the departments insist that the travel timetable be appended to the request form for a short-term *shlichut*, as determined in the procedure.

The Office of the Comptroller also recommends that previous *shlichuyot* of the *shaliach* in the current year also be listed on the request form for a short-term *shlichut* and that expected *shlichuyot* later in the year also be noted. We also recommend that it be stated on the request form whether the requested *shlichut* is in accordance with the work program.

The 35th Zionist General Council resolved to change the organizational structure of the World Zionist Organization. Following the change in status of the three departmental directors-general to that of “department directors”, their trips are no longer brought for approval of the Chairman of the Zionist Executive but for that of the Committee for Short-term *Shlichuyot*.

The Office of the Comptroller recommends, therefore, that the term “Directors-General of the Departments at the World Zionist Organization” be deleted from the procedure and that it be stated that the authority to approve the *shlichuyot* of the department directors is that of the Committee for Short-term *Shlichuyot*.

The Office of the Comptroller recommends that it be determined in the procedure that the heads of the departments will approve, by their signature on the request form, a short-term *shlichut* of the department directors before the request is sent for approval of the Committee for Short-term *Shlichuyot*.

It should also be clarified to the department directors that they must also attach a timetable of the trip to the request form.

The Chairman of the Committee for Short-term *Shlichuyot* advised in response that he accepts the audit recommendations and that the Committee will act accordingly.

time At the same as submitting the request form for approval of the Committee for Short-term *Shlichuyot*, the responsible party on behalf of the department inputs the *shlichut* program into the *Shelach* system, with a note as to the budgetary line. He also inputs the approvals of the departmental budget officer and of the department director. Once the necessary approvals have been input, the Flights Section is empowered to input the costs of the flight ticket (and the visa where necessary) into the *Shelach* system and make seat reservations on the flight.

The *Shelach* system, which is designed to manage the *shlichuyot* also notes the state of the required approvals in the process of approving short-term *shlichuyot*.

At the same time, we found instances where the approvals of the budget officer and of the department director were input late in the *Shelach* system, sometimes even after the *shaliach* returned from the *shlichut*. For example:

- a. The director for Department for Zionist Activity went on *shlichut* to the United States from August 20 to September 17, 2008. The budget officer and head of the department signed the request form for the *shlichut* on July 31 but the approval was fed into the *Shelach* system on August 19, i.e., one day before his departure for the *shlichut*.
- b. A *shelicha* of the *Hagshamah* Department went on *shlichut* to Denmark from May 8 to May 11, 2008, to participate in a seminar and to appear before the local community. The director of the *Hagshamah* Department signed the request form for the *shlichut*, in his name and in that of the budget officer in the department, on April 8, 2008. The approvals were, however, input in the *Shelach* system on June 5, 2008, in other words a month after the *shelicha* went on *shlichut*.

In order to manage the *shlichut* arrangements more efficiently, the Office of the Comptroller recommends that the departments insist on inputting the approvals in the *Shelach* system soon after receipt of the

approval. We also recommend considering that Lalan should condition the possibility for inputting the approval of the Committee for Short-term *Shlichuyot* on the approvals of the budget officer and of the department director in the department having been fed into the system.

The Office of the Comptroller notes that tardiness in inputting the approvals in the *Shelach* system delays the sending of payment instructions of the Finance Department to the overseas treasuries prior to the departure for *shlichut* and does not allow the treasuries to debit the budgetary line of the relevant departments for the expenditures of the *shlichut* they handle.

The Chairman of the Committee for Short-term *Shlichuyot* advised in response that the recommendation will be forwarded for the attention of the *Lalan* Company which operates the *Shelach* system.

d. Approval of the short-term *shlichut*

As noted, it is determined in the procedure that the request form for a short-term *shlichut* is to be submitted to the Committee not later than 14 days prior to the date of departure for the *shlichut*. The Committee has to decide about the request for the *shlichut* within 7 days of the date on which it was submitted. Since 2008, the secretary of the Committee inputs the decision of the Committee in the *Shelach* system.

Inputting the decision of the Committee in the *Shelach* system should be a condition for continued handling of the *shlichut* and the booking of an airline ticket for the *shaliach*.

In an examination we undertook of a sample of *shlichuyot*, we found, however, that the decision of the Committee was input to the *Shelach* system at a later stage, sometimes after the *shaliach* had departed for the *shlichut* and sometimes after his return. For example:

<i>Shaliach</i>	Department	Dates of the <i>shlichut</i>	Approval of the Committee	Input of the Committee approval in the <i>Shelach</i> system
<i>Shaliach A</i>	Zionist Activity	20.8 17.9.08	28.7.08	25.8.08
<i>Shaliach B</i>	<i>Hagshamah</i>	5.2 – 17.2.08	3.2.08	24.3.08
<i>Shaliach C</i>	<i>Hagshamah</i>	22.5 28.5.08	20.5.08	11.6.08
<i>Shelicha D</i>	<i>Hagshamah</i>	8.5 11.5.08	27.4.08	11.6.08
<i>Shelicha E</i>	<i>Hagshamah</i>	22.5 28.5.08	27.4.08	11.6.08

The Office of the Comptroller notes that it emerges from the above table that short-term *shlichuyot* are executed without the approval of the Committee being input in the system.

The Office of the Comptroller recommends that the Flights Section ensure, before it handles the booking of an airline ticket and an insurance policy for the *shaliach*, that approval of the Committee for Short-term *Shlichuyot* has been input in the *Shelach* system.

The Flights Section informed the Office of the Comptroller that the flight ticket is sometimes booked at the behest of a representative of the department to reserve a seat on the flight and that the ticketing is done only after receipt of the approval for the *shlichut* from the Committee for Short-term *Shlichuyot*.

The minutes of the Committee, which the secretary of the *Shlichut* Committee produces from the *Shelach* system, constitute the authority for implementation for all those concerned. In the *shlichut* minutes, note is made of the name of the *shaliach*, the purpose of the *shlichut*, the dates of departure and return, the *shlichut* destinations, the flight cost, the number of per diem days (of which how many are per diem days on convention conditions), the cost of the per diem and other costs (such as: hotel, visa, medical and luggage insurance), the number of work days and also utilization of the number of per diem days in the year out of the annual quota.

The *shlichut* minutes contain the decision of the Committee which discussed the *shlichut* and also the total cost of the *shlichut* and the budgetary line for charging the department. The *Shelach* system automatically inputs a current number for each *shlichut* which appears in the minutes.

The audit showed that, in the minutes of the short-term *shlichuyot* at the World Zionist Organization, a quota of 50 days per annum is input automatically, rather than 30 days as determined in the “Short-term *shlichuyot* at the World Zionist Organization” procedure.

The Office of the Comptroller recommends that the annual quota of *shlichut* days in the *Shelach* system be corrected to 30 days, as determined in the procedure.

The Director-General of the Jewish Agency Finance Department advised in response that the existence of the “Short-term *shlichuyot* at the World Zionist Organization” procedure was not known to the unit for coordination of flights and was, therefore, not taken into account.

The audit showed that, in the heading of the minutes, is the logo of the Jewish Agency and the logo of the “Inspector of the *Shlichut* Alignment”.

The Office of the Comptroller recommends that the logo of the World Zionist Organization feature on the minutes of the Committee for Short-term *Shlichuyot*.

The chairman of the Committee for Short-term *Shlichuyot* advised in response that the Committee has amended the logo of the minutes in accordance with the Comptroller's recommendation.

e. Overseas travel insurance

After approval of the *shlichut* by the Committee for Short-term *Shlichuyot*, the Flights Section handles the ticketing of the flight which was reserved for the *shaliach* and arrangement of the medical and luggage insurance policy for him.

The Office of the Comptroller was told that, following the audit report we prepared on the subject of short-term *shlichuyot* at the Jewish Agency, the Flights Section obtains the signature of the *shaliach* on a medical

declaration form before each departure for a *shlichut*. Where an expanded policy is required because of health problems, the *shaliach* completes a medical questionnaire once a year. Before each departure on a *shlichut*, he signs on the declaration that there has been no worsening of his health situation since the previous *shlichut*.

In a sample examination we conducted, no medical declaration forms were found at the Flights Section of the following *shlichim*:

a. Director of the Department for Zionist Activity:

- *Shlichut* to Holland in December 2007.
- *Shlichut* to the United States in August 2008.
- *Shlichut* to the United States in September 2008.

b. Director of the Center for Religious Affairs in the Diaspora

- *Shlichut* to the United States in May 2008.

The Office of the Comptroller notes that the medical declaration constitutes a basis for acquisition of an insurance policy commensurate with the medical condition of the *shaliach*. We, therefore, recommend that the Flights Section ensure that the medical declaration forms of the *shlichim* are retained.

The Director-General of the Jewish Agency Finance Department advised in response that, following the audit findings, the Unit for Coordination of Flights has been instructed to ensure that the medical declaration forms of the *shlichim* are retained.

An employee of the Unit for Short-term *Shlichuyot* traveled to Poland in March 2008 for a joint *shlichut* of the World Zionist Organization and of the Israel Experience. The *shlichut* contained six days of educational touring on behalf of the Israel Experience and two work days for the World Zionist

Organization. The Israel Experience paid for the airline ticket and the per diem for the six days of touring, while the World Zionist Organization paid the per diem for the two work days as well as other costs.

The Office of the Comptroller was told that, in cases where the World Zionist Organization did not pay for the flight, the Flights Section does not deal with taking out a medical and luggage insurance policy for the *shaliach*.

The Office of the Comptroller is of the opinion that, since the employee is the responsibility of the World Zionist Organization, even if the *shlichut* is shared with another body, the *shaliach* should be notified that the Flights Section will not be arranging medical and luggage insurance for him. He should, therefore, ascertain that the other body purchases for him an insurance policy commensurate with his medical situation. Similarly, since it is not possible to insure a traveler for part of the overseas stay, he should be notified that he should ascertain that insurance has been taken out for him for the whole period of his stay overseas, including the *shlichut* days which are on behalf of the World Zionist Organization.

In instances where the Flights Section does not arrange a medical and luggage insurance policy for the *shaliach*, we recommend that the Section obtain the signature of the *shaliach* on a declaration that it is his responsibility to ascertain that the body participating in the cost of the *shlichut* also arrange medical and luggage insurance for him for the whole of his stay overseas. Similarly, he should ensure that the policy purchased for him is commensurate with his state of health.

In cases where a private vacation is appended to a short-term *shlichut*, the Flights Section insures the *shaliach* with medical and luggage insurance for all the days of the overseas stay. Upon his return from the *shlichut*, the Jewish Agency Finance Department should set-off the cost of the insurance with respect to the vacation days from the per diem payment due to him.

The Director of the Department for Zionist Activity went on *shlichut* to the United States in August 2008 for 28 days, of which 14 days were a private vacation.

An examination we made showed that the cost of the insurance for the vacation days was not set-off from the per diem payment made to him.

In other words, the World Zionist Organization paid the cost of the insurance for the vacation days of the *shaliach*.

The Office of the Comptroller recommends that the Jewish Agency Finance Department be punctilious about setting off the cost of the insurance against the per diem payment made to the *shlichim*.

A *shaliach* from the *Hagshamah* Department went on a *shlichut* to Switzerland and Latvia in February 2008 for 12 days, of which the Committee approved only eight days per diem. The audit found that the World Zionist Organization paid the cost of the insurance for the *shaliach* for the remaining four days.

The Director-General of the Jewish Agency Finance Department advised in response that, following the audit findings, the two above cases have been dealt with and were corrected on February 22, 2009, by debiting the current account card of the *shlichim*.

The head of the Department for Zionist Activity traveled to the United States in January 2008. The trip consisted of a private vacation in the United States and participation in a conference held in Jamaica. The flight to the United States was paid for by the *shaliach* and, therefore, the Flights Section did not deal with arranging medical and luggage insurance for him. As noted, the insurance companies do not agree to covering a traveler for part of the overseas stay and, therefore, the *shaliach* arranged his own insurance for the whole of the period of his stay overseas.

Since the employee was on a *shlichut* for the World Zionist Organization and at its responsibility for part of the period, we

recommend that the Flights Section obtain the signature of the *shaliach* on an undertaking to handle the purchase of an insurance policy commensurate with his medical condition and which will also include the *shlichut* days.

From an examination of the per diem report of the *shaliach*, we found that he did not receive any reimbursement for the cost of the insurance with respect to the days during which he took part in the convention in Jamaica.

The Office of the Comptroller recommends that the Jewish Agency Finance Department ensure that, where the *shaliach* himself arranges the insurance for the *shlichut* days, he should receive a reimbursement of this expenditure as part of the per diem payment.

In cases where an extended medical insurance policy is purchased for the *shaliach*, the cost varies and it is more expensive than an ordinary policy.

The Office of the Comptroller notes that a fixed cost of USD 1 per day is entered into the *Shelach* system for all types of policy, both ordinary and extended. This is because the type of policy required for the *shaliach*, in accordance with his medical condition, is known only to the director of the Flights Section who deals with arranging the insurance.

We found that, where the cost of the medical insurance is set-off from the per diem payment of the *shaliach*, for vacation days added to the work *shlichut*, the cost set off was at the fixed rate of USD 1 per day rather than according to the actual cost with respect to the medical and luggage insurance.

In other words, in cases where the *shaliach* was covered by an extended policy, the World Zionist Organization paid the difference of the cost of the medical insurance with respect to the vacation days.

The Office of the Comptroller recommends that, where a private vacation is added on to a work *shlichut*, the Flights Section should advise the person responsible for making the per diem payment of the

exact cost to be set-off from the amount of the per diem which the *shaliach* receives.

f. Summation of *shlichut* report

According to the procedure, the *shaliach* is required to submit to the department, within 14 days of the end of the *shlichut*, a detailed report about his *shlichut*, relating to the actual *shlichut* as against the work program.

In the sample we examined, we found that the *shlichim* do not always submit a “summation of *shlichut* report”. For example:

- a. A *shaliach* from the *Hagshamah* Department went on *shlichut* in December 2007 to Holland to find an activist for the Department.
- b. A *shaliach* from the Center for Religious Affairs in the Diaspora went on *shlichut* to Italy in May 2008 to take part in a conference of rabbis.
- c. A *shaliach* from the Unit for Zionist *Shlichut* went on *shlichut* to the United States in March 2008, in the context of tax reckoning with respect to the *shlichim*.
- d. A *shaliach* from the *Hagshamah* Department went on *shlichut* to Australia in February 2008 to give a lecture to alumni of the *magshimot* movements.

The audit found that, at the end of the *shlichut*, the department directors do not always submit a “summation of *shlichut* report”. Following are a number of examples of *shlichuyot* for which the report was not submitted:

- a. A *shlichut* to Canada in April 2008 of the director of the *Hagshamah* Department.
- b. A *shlichut* to the United States in August 2008 of the director of the Department for Zionist Activity.

- c. A *shlichut* to the United States in May 2008 and also a *shlichut* to Germany in February 2008 of the director of Center for Religious Affairs in the Diaspora.

We recommend that it be clarified to the directors of the departments that they are currently required to submit to the department, on completion of the *shlichut*, a “summation of *shlichut* report”.

The director of the Department for Zionist Activity advised in response that he accepts the audit recommendation and will act accordingly.

The Office of the Comptroller recommends that a standard form be determined for the report on the *shlichut*. As noted, in this report, the *shaliach* also has to relate to the actual *shlichut* as against the work program.

We also recommend that it be determined in the procedure that the “summation of *shlichut* report” also be sent to the Committee for Short-term *Shlichuyot* so that it can have an overall picture of the *shlichut* setup.

The director of the *Hagshamah* Department advised in response that he accepts the audit recommendations. Additionally, the chairman of the Committee for Short-term *Shlichuyot* advised in response that he accepts the audit recommendations and that the Committee will act accordingly.

Adding a private vacation and/or a family member

The director of the Center for Religious Affairs in the Diaspora traveled on *shlichut* to the United States for 18 days, from May 14 to June 1, 2008. In the itinerary, he noted that the first three days were to be a private visit in Chicago.

The audit found that the private vacation days were not noted on the request form for the *shlichut* nor in the minutes of the *shlichut*. It is not clear, therefore, who approved the adding of a private vacation to the *shlichut*.

Nevertheless, since the private vacation was recorded in the *Shelach* system and in the per diem report, he was paid for 15 days per diem and the cost of the medical insurance with respect to the three vacation days was set-off.

A *shaliach* from the *Hagshamah* Department traveled from February 5 – 17, 2008, to participate in two conferences, in Switzerland and in Latvia which were held in conjunction with the *Hagshamah* Department.

The Committee for Short-term *Shlichuyot* approved the five days of the conference in Latvia.

As for the conference at a ski resort in Switzerland, the Committee decided to approve only three days per diem out of the seven days of the conference.

The Office of the Comptroller notes that, since the Committee approved eight per diem days out of the 12 days of the *shlichut*, the remaining four days at the conference at the ski resort were to be on the account of the employee.

The audit found that there was no reference to the four days of private vacation as part of the *shlichut* in the minutes of the Committee or in the *Shelach* system.

The Office of the Comptroller emphasizes that the number of vacation days approved for adding to a *shlichut* must be stated in the minutes of the Committee and they must be input to the *Shelach* system.

We were told that the Committee for Short-term *Shlichuyot* was of the opinion that it would not be proper to pay the full per diem days for the stay at the ski resort.

The Office of the Comptroller sees fit to comment that, if it is not fitting to send a representative to a conference held at a ski resort, it is unclear why it approved his participation in part of the conference.

We also recommend examining whether it is fitting for the World Zionist Organization to support a conference taking place at a ski resort during the ski season.

A *shaliach* of the *Hagshamah* Department traveled to the United States for 19 days. In the request form, he stated that he would be taking part in a three-day seminar, November 20 – 23, 2008, and that the remaining days would be vacation.

The audit found that, according to the minutes of the *Shlichut* Committee it approved three days on “conference per diem” terms but did not state in the minutes that 16 of the 19 *shlichut* days were private vacation days.

The Office of the Comptroller emphasizes that the number of vacation days approved for adding to a *shlichut* must be stated in the minutes and input to the *Shelach* system.

The chairman of the Committee for Short-term *Shlichuyot* advised in response that the audit comment is acceptable and that the Committee will act accordingly.

The audit also showed that, instead of inputting three per diem days to the *Shelach* system, 19 days were input, in effect the total period of his stay overseas, including vacation days.

The Director-General of the Jewish Agency Finance Department advised in response that there was indeed an error in inputting the data and that, following the audit comment, the per diem days were corrected in January 2009 in the *Shelach* system to just three days rather than 19 days.

To the date of conclusion of our audit, the *shaliach* had not submitted a per diem report and, therefore, no accounting had been done with him over payment of the per diem allowance.

A *shaliach* from the *Hagshamah* Department went on *shlichut* to Latvia on February 13, 2008, for 19 days to take part in a seminar.

During the *shlichut*, the *shaliach* was required to travel to Germany, for personal reasons, and did not return to Israel on the date planned: March 3, 2008. We were told that, two weeks later, he purchased a new airline ticket, at his expense, from Germany to Israel.

The audit found that the *shaliach* did not notify any party that he would not appear for the flight booked for him on March 3, 2008.

To date, the Flights Section has not checked whether the ticket can be utilized or a cash reimbursement obtained from the aviation company. Similarly, according to the *shaliach*, the original return ticket was not in his possession.

The Office of the Comptroller recommends that, in cases of no-show for a flight, the Flights Section insist on verifying with the aviation company the possibility of using the ticket or obtaining a cash reimbursement.

The Director-General of the Jewish Agency Finance Department advised in response that the Flights Section did not know anything about the case since the *shaliach* did not report it to the Flights Section.

We also recommend that the Flights Section draw up a page of directions for *shlichim* in which it will be stated that, where the *shaliach* is precluded from realizing the flight ticket bought for him as part of the *shlichut*, he must immediately notify the Flights Section.

The audit found that 14 vacation days were input in the *Shelach* system for the *shaliach*, but the correct date on which the *shaliach* returned from the *shlichut* has not been input.

In August 2008, the director of the Department for Zionist Activity traveled to the United States for 28 days, of which 14 were a private vacation. On the *shlichut* request form and in the minutes, it is stated that half of the *shlichut* days are a private vacation.

The Office of the Comptroller notes that in the “Short-term *shlichuyot* at the World Zionist Organization” procedure, there is no reference to the subject of adding a private vacation and of adding a family member to a work *shlichut*. It may be noted that, according to the existing procedure at the Jewish Agency, a ban applies on adding a private vacation to a work journey, apart from exceptional cases which come for the approval of the Director-General of the Jewish Agency only. Likewise, adding a family member of any degree of relationship requires the approval of the Director-General of the Jewish Agency.

As noted, the Chief of Staff of the Office of the Chairman the Zionist Executive instructed the Committee to act as far as possible according to the procedures of the Jewish Agency.

Since there is no director-general at the World Zionist Organization, we recommend that it be determined in the procedure that the Committee for Short-term *Shlichuyot* be empowered to approve the addition of a private vacation and/or family member to a work journey of an employee of the World Zionist Organization (including directors of departments) and of a *shaliach* who is not an employee of the institution. The authority in this matter should be anchored in the “Short-term *shlichuyot* at the World Zionist Organization” procedure.

Furthermore, we recommend adopting the directives determined in the procedure dealing with short-term *shlichuyot* at the Jewish Agency regarding the participation of the *shaliach* (who is not an employee of

the institution) in the cost of the airline ticket (between 50 percent and 100 percent) when adding a private vacation of more than five days.

The Chairman of the Committee for Short-term *Shlichuyot* advised in response that he accepts the Comptrollers recommendations and that the Committee will act for their implementation.

Per Diem and Reimbursement of Work-Related Expenditures

The audit found that there is no reference in the “Short-term *shlichuyot* at the World Zionist Organization” procedure of July 2007 to the payment of per diem and the reimbursement of work-related expenditures.

The Office of the Comptroller recommends that the World Zionist Organization adopt the policy of per diem payments and reimbursement of work-related expenditures in force at the Jewish Agency and anchor it in the “Short-term *shlichuyot* at the World Zionist Organization” procedure.

In practice, at the end of the *shlichut*, the *shaliach* completes a “per diem report” and submits it to the person in charge of the short-term *shlichuyot* in the Jewish Agency Finance Department in order to receive payment with respect to the per diem allowance and reimbursement of work-related expenditures.

The Office of the Comptroller examined a sample of per diem reports which the *shlichim* had submitted. The examination showed that the per diem payments were made according to the procedure at the Jewish Agency, subject to the expenditures and particulars of the *shlichut* having been approved by the Committee for Short-term *Shlichuyot* and in accordance with receipts which the *shlichim* attach to the per diem report.

The Office of the Comptroller notes that in the procedures file of the World Zionist Organization there is an old collection of procedures from July 1996 regarding short-term *shlichuyot* but it is not up-to-date and is not consistent with the July 2007 procedure.

The Office of the Comptroller recommends that the “Short-term *shlichuyot* at the World Zionist Organization” procedure of July 2007 be updated in accordance with the recommendations noted in the audit report. Likewise, the 1996 procedure should be updated and they should be combined into one procedure and integrated into the procedures binder of the World Zionist Organization.

The audit showed that *shlichim* who returned from their *shlichut* a long time ago had not yet submitted the per diem report to the Finance Department. For example:

- a. A *shaliach* of the *Hagshamah* Department who returned from a *shlichut* to Latvia at the end of March 2008.
- b. A *shaliach* of the *Hagshamah* Department who returned from a *shlichut* to the United States on December 10, 2008.

The Office of the Comptroller recommends that the Jewish Agency Finance Department ensure that all the *shlichim* who have not yet submitted per diem reports are informed on a current basis that they must submit them soon for receipt of the reimbursement of expenditures. Likewise, towards the end of the year, a further reminder should be sent so that the charge not be made from the budget of the ensuing year.

Frequent Flyer Points

a. Prohibition on the use of frequent flyer points

The aviation companies award frequent flyer points to a passenger who has opened a private account in the frequent flyer club. Accrual of points enables the passenger to be issued with a free, bonus ticket or to be upgraded to business class. The number of points credited for each flight depends on the flight destination and the ticket class.

The Office of the Comptroller was told that a number of aviation companies, among them El Al, do not allow organizations to open an “institutional account” in the frequent flyer club. Thus, the private account of the *shaliach* going on a short-term *shlichuyot* is credited with points originating with flights paid for by the Jewish Agency and World Zionist Organization.

During 2006, the Flights Section began to deal with arranging use of the frequent flyer points originating in short-term *shlichuyot* and which had accrued in the private accounts of the *shlichim*. Every *shaliach* was required to sign an undertaking in which he declared that it was known to him that these points are the property of the Jewish Agency or World Zionist Organization and, therefore, that he was forbidden to use them.

He also undertook to transfer to the Flights Section the access code to his private account in the frequent flyer club. He thereby permits the Flights Section to use these points for the issue of a bonus ticket for forthcoming *shlichuyot* in the two organizations or for upgrading members of the Executive and directors-general to business class.

At the same time, the Office of the Comptroller notes that the Flights Section records the accrual of points in the *Shelach* system and use the points of the *shlichim* who are employees of the institution only and which have accrued from El Al flights only.

The undertaking is sent to the *shaliach* while dealing with his first short-term *shlichut* for the Jewish Agency or World Zionist Organization. The *shaliach* is required to sign it and send it to the Flights Section. Upon its receipt, the Flights Section notes in the *Shelach* system that the undertaking has been received from the *shaliach*.

The audit found that there is no actual follow-up on collection of the undertakings from the *shlichim* who go on *shlichut* on behalf of the Jewish Agency or World Zionist Organization.

The Office of the Comptroller recommends that the Flights Section collect the undertakings from the *shlichim* who have been on shlichut in the past but who have not yet signed them. The Flights Section should also ensure that all outgoing *shlichim* on behalf of the Jewish Agency or World Zionist Organization sign the undertaking before their departure for the *shlichut*. This is so that it will be possible to enforce the instruction and use the points accrued in the accounts of the *shlichim* with respect to flights paid for by the Jewish Agency and World Zionist Organization.

As part of the work of the Flights Section in ordering flight tickets, it was found that private use had been made of 950 points belonging to the World Zionist Organization from the frequent flyer account of an employee. After a clarification was made, the employee signed a statement, on November 25, 2008, that the World Zionist Organization will be entitled to use 950 points when they have accrued in his account.

We are of the opinion that the wait (for an unknown period of time) to accrual of the full quantity of points in the future is unreasonable.

The Office of the Comptroller was told that, following the audit report, the Finance Department has instructed the employee to give a cheque to the order of the World Zionist Organization in the amount of USD 950, being the value of the points used by him. The deposit was made in June 2009.

The Office of the Comptroller recommends that a clear policy be laid down regarding cases where, nevertheless, private use is made of frequent flyer points to the credit of the Jewish Agency and World Zionist Organization.

We further recommend that the prohibition on using frequent flyer points accrued in their accounts from flights paid for by the Jewish Agency and World Zionist Organization be recalled for the *shlichim*. We propose preparation of an explanatory sheet, shared by the Jewish

Agency and World Zionist Organization, and that it be attached to the flight tickets of the *shlichim*.

b. Entry of frequent flyer points in the *Shelach* system

There is a record in the card-index of the *shlichim* in the *Shelach* system of the points accrued to the credit of the Jewish Agency and World Zionist Organization in the frequent flyer club of El Al only. The amount recorded is not, however, accurate because, in the past, internal flights which were not actually with El Al or which were in a different class from that booked were recorded and points entered for them in the *Shelach* system were not accurate. Apart from this, the points have been recorded in the *Shelach* system as of April 1, 2006, but not retroactively from the beginning of the year for all the *shlichim* but only for some of them.

In other words, the record of points accrued in the El Al frequent flyer club as in the *Shelach* system is partial, inaccurate and does not permit optimal utilization of the points.

Until recently, the points could be used only for the issue of a bonus flight ticket for the *shaliach* in whose account the points had accrued. The Office of the Comptroller was told that, from 2008, it is possible to use these points for the issue of a bonus ticket for a different *shaliach*, provided that the total amount of points required be transferred from only one account.

In this case, the Flights Section notifies the *shaliach* in writing that the institutional credit points in his account will be used for a *shlichut* of another person. The Section attaches a print-out of the points from the account of the *shaliach* in the El Al frequent flyer club and also the list of his *shlichuyot* from the *Shelach* system when he accrued the institutional points in his account. The *shaliach* is required to approve in writing to the Flights Section use of the frequent flyer points for someone else.

After the Flights Section uses the points, the *shaliach* receives a notification from El Al stating the number of frequent flyer points used from his account.

As of January 13, 2009, the *Shelach* system enables entering in the *shaliach*'s record the quantity of points taken from his account for the issue of a bonus ticket to a different *shaliach*.

The Office of the Comptroller notes that, although the two organizations have separate budgets for short-term *shlichuyot*, use of the frequent flyer club points is conducted in a general bank for the sake of maximal usage. This is done because there are many restrictions regarding the use of the points. For example: the requirement that the ticket be bought in certain classes on the flight, so that a bonus ticket will be issued, and for upgrading to business class. The validity of the points is also restricted to just three years.

c. Utilization of frequent flyer points

The Office of the Comptroller notes that tickets for short-term *shlichuyot* are booked with different airlines. At the same time, the Flights Section only uses the points which have accrued in the El Al frequent flyer club. The Section records in the *Shelach* system, therefore, only the frequent flyer points with El Al.

In other words, the Jewish Agency and World Zionist Organization do not use points which can be accumulated from flights booked with other airlines, including airlines which allow organizations to open an institutional account to collect all the points accrued from flights paid for by them.

When the *shaliach* is an employee of the Jewish Agency or World Zionist Organization and has no account in the El Al frequent flyer club, the Flights Section handles the opening of an account for him.

Records are not always kept, and use made, of frequent flyer points of *shlichim* who are employees of the Jewish Agency or World Zionist Organization.

In other words, the Jewish Agency and World Zionist Organization do not use the points accrued in the accounts of *shlichim* who are not employees of the organization but who went on *shlichut* on its behalf. It may be noted that *shlichim* who are not employees of the organization constitute more than 50 percent of all the *shlichuyot* at the Jewish Agency and World Zionist Organization.

The local treasuries overseas pay for the flights to Israel of employees of the organization who are on long-term *shlichut*. These flights are not recorded in the *Shelach* system and, therefore, the Jewish Agency and World Zionist Organization do not use the points accrued from these flights.

The Flights Section told us that, according to the data in the *Shelach* system, from the time when the recording of frequent flyer points began during 2006 until December 31, 2008, 172,411 points accrued to the credit of the Jewish Agency and World Zionist Organization. Out of these, 47,075 points were used for the issue of bonus tickets for *shlichim* and for upgrades to business class for members of the Executive and directors-general. In other words, the rate of utilization of the frequent flyer points is only some 27 percent.

We were also told that, in 2008, 45,714 points were accrued to the credit of the two organizations, and that 24,450 of them were used, that is some 50 percent.

Points accruing in the frequent flyer account are valid for only three years. Use is made automatically of the older flights entered in the account of the passenger, irrespective of whether they were private flights or flights in the context of short-term *shlichuyot*.

The audit found that, prior to the issue of a bonus ticket or upgrade to business class, the Flights Section does not exercise care in selection of the *shaliach* with the oldest points in the organization or whose points are shortly to expire.

The Office of the Comptroller notes that because of the restrictions on the ability to use the points and as part of the means currently available

to the Flights Section, it is difficult to manage and use the frequent flyer points in a proper, efficient manner.

The Office of the Comptroller further notes that notice should be taken of the fact that, during 2009, the validity of the 2006 points will expire even though they will continue to feature in the records in the *Shelach* system.

The audit found that in the “Short-term *shlichuyot* at the World Zionist Organization” procedure, there is no reference to points in the frequent flyer club.

The Office of the Comptroller recommends that the World Zionist Organization adopt the directives of the Director-General of the Jewish Agency of August 26, 2008, regarding the use of frequent flyer points and that they be anchored in a procedure.

Short-term *Shlichuyot* of Members of the Executive, Director-General of the Finance Department and Public Figures

Data

Overseas journeys by members of the Executive, the Director-General of the Finance Department, directors of the departments and public figures are budgeted as part of the short-term *shlichuyot* line of the departments.

According to the data in the *Shelach* system, there were 39 short-term *shlichuyot* in 2007, the cost of which came to USD 109,000. In 2008 (to the end of November), there were 29 short-term *shlichuyot* at a cost of USD 81,000.

The figures do not include the cost of hotels, some of which were paid by the overseas treasuries while others were paid in Israel as a reimbursement of work-related expenditures.

Similarly, the figures do not include other costs which were paid through the overseas treasuries, such as inland flights, train journeys, hire of the services of drivers and so on.

Updating the Committee for Short-term *Shlichuyot*

The “Short-term *shlichuyot* at the World Zionist Organization” procedure determines that *shlichuyot* of members of the Executive and public figures are to be approved by the Chairman of the Zionist Executive and brought to the knowledge of the Committee for Short-term *Shlichuyot*.

We were told that, in practice, the *shlichuyot* of members of the Zionist Executive, the Director-General of the Finance Department and public figures are not always brought to the attention of the Committee for Short-term *Shlichuyot*.

The Office of the Comptroller recommends that it be determined in the procedure that a copy of the request to go on a *shlichut* of members of the Executive, the Director-General of the Finance Department and public figures be conveyed to the Committee. We also recommend that the instruction of the Committee for Short-term *Shlichuyot* that the work program of the *shlichuyot*, which the departments are required to submit to the Committee each year, should also contain the travel of members of the Executive, the Director-General of the Finance Department and public figures and be anchored in the procedure.

The approval process for short-term *shlichuyot*

a. Conditions of travel

The audit showed that there is no reference in the “Short-term *shlichuyot* at the World Zionist Organization” procedure to the conditions of travel of members of the Executive, the Director-General of the Finance Department, the directors of the departments and public figures going on a short-term *shlichut*.

We were told that, in practice, the set provisions of the “Reimbursement of work-related expenses for members of the Executive and directors-general” procedure of the Jewish Agency apply to members of the Executive, the Director-General of the Finance Department, the directors of the departments going on short-term *shlichuyot* on behalf of the World Zionist Organization. This is in the wake of a resolution of the Zionist Executive of June 7, 1999, which determined that it should apply retroactively from the 33rd Zionist Congress, i.e., from December 25, 1997. It may be noted that this instruction is also determined in a procedure of 1996.

The Office of the Comptroller recommends that the World Zionist Organization state in the “Short-term *shlichuyot* at the World Zionist Organization” procedure that the “Reimbursement of work-related expenses for members of the Executive and directors-general” procedure of the Jewish Agency also applies to members of the Zionist Executive, the Director-General of the Finance Department and the directors of the departments.

Adjustments should also be made in the procedure as required by the existing structure and powers at the World Zionist Organization.

As a part of the audit, we looked at a sample of short-term *shlichuyot* of members of the Zionist Executive, the Director-General of the Finance Department and public figures in accordance with the procedure existing at the Jewish Agency. The findings follow:

b. Work program for short-term *shlichuyot*

The heads of three departments: *Hagshamah*, Zionist Activity and the Center for Religious Affairs in the Diaspora submitted a travel program for 2008 to the Chairman of the Executive, as the procedure determines.

At the same time, we found that in practice there was a deviation from the permitted quota of 45 days overseas stay per year. For example:

In 2007, the head of the Center for Religious Affairs in the Diaspora spent 52 days overseas, seven days above the permitted annual quota.

The Office of the Comptroller recommends that a follow-up be conducted at the Office of the Chairman on the number of days stay overseas which the Chairman of the Executive approves and that the provisions of the procedure be complied with regarding the permitted annual quota for members of the Executive.

We also propose that, in the request for *shlichut* form which is submitted for the approval of the Chairman of the Executive, members of the Executive be required to state how many days they have already used up in the current year out of the permitted quota.

c. Submission of request for travel on a short-term *shlichuyot*

It is determined in the procedure that a request for overseas travel which is sent for the approval of the Chairman of the Zionist Executive should include the timetable overseas and the purpose of the journey, at a maximum level of detail.

The Office of the Chairman informed us that, in practice, the heads of the departments at the World Zionist Organization do not specify the timetable for their journeys overseas.

The Office of the Comptroller recommends that the Office of the Chairman ensure that a request for a trip abroad of heads of the departments, the Director-General of the Finance Department and public figures contain details of the timetable for each overseas trip, to be attached to the request that is conveyed for the approval of the Chairman of the Executive.

It is determined in the procedure that each travel request must be submitted 14 days before the travel date, apart from urgent instances. The travel request will be approved within three days from the date of its submission and not later than one week before the date of the flight.

The director of the Flights Section is responsible for dealing with work trips overseas of members of the Executive, the Director-General of the Finance Department and public figures. She receives the forms of approval for a travel request and inputs the details of their *shlichut* into the *Shelach* system.

The Office of the Chairman puts into the *Shelach* system the approval of the Chairman of the Executive, after he has signed the *shlichut* request form.

In a sample we took, we found cases where the approval of the Chairman of the Executive on the request form for approval of the *shlichut* and/or its inputting to the *Shelach* system were done at a later stage, sometimes after the return from the *shlichut*. For example:

- a. A member of the Zionist Executive went on *shlichut* to North America on November 5, 2007, to raise funds for the World Zionist Organization. The Chairman of the Executive signed the *shlichut* request form a week after the *shaliach* returned from the *shlichut*, i.e., on November 25, 2007. Two days later, the approval of the Chairman was input to the *Shelach* system, that is, on November 27, 2007.
- b. The Director-General of the Finance Department in the World Zionist Organization went on *shlichut* to the United States on March 19, 2008, for an audit at the local treasury. The Chairman of the Executive signed the *shlichut* request form on March 6, 2008, but the approval of the Chairman was input to the *Shelach* system only on the date of departure for the *shlichut*.
- c. The head of the *Hagshamah* Department left for a *shlichim* convention and the General Assembly on November 4, 2007. The Chairman of the Executive approved his *shlichut* before the journey but the approval of the Chairman was input to the *Shelach* system on November 13, 2007, which was the date on which he returned from the *shlichut*.

- d. The head of the Department of Zionist Activity went on a private vacation in the U.S.A on January 25, 2008. During this vacation he attended the annual meeting of Jewish Congregations in Jamaica. The Chairman of the Executive approved the *shlichut* on January 22, 2008 yet the approval was entered in the "*Shelach*" system on March 3, 2008, a month after his return from the *Shlichut*.

The Office of the Comptroller notes that a delay in inputting the approval in the *Shelach* system holds up the sending of an implementation instruction to the overseas treasuries for them to charge the budgetary line of the departments for the hotels and other expenditures as part of the short-term *shlichut*.

The Office of the Comptroller recommends that the Office of the Chairman insist on obtaining the signature of the Chairman of the Executive on the *shlichut* request form and on inputting the approval into the *Shelach* system prior to the departure for the *shlichut*.

d. *Shlichut* summary report

The Office of the Comptroller recommends considering instructing members of the Executive, the Director-General of the Finance Department and public figures that, within 14 days of their return, they are to submit a written report to the Chairman of the Executive summarizing the *shlichut* with details of their activities during the short-term *shlichut*.

Adding a private vacation and/or a family member

In the procedure dealing with short-term *shlichuyot* of members of the Executive and directors-general at the Jewish Agency, there is no reference to the matter of adding a private vacation to a working trip. At the same time, the Director-General of the Jewish Agency is not in the habit of approving the addition of a private vacation for the directors-general while we were told from the Office of the Chairman that, only in isolated incidents, may a private vacation be added to a work trip.

As part of our sample, we found that members of the Executive and elected officials at the World Zionist Organization were authorized to add a private vacation to a working *shlichut*. For example:

- a. A journalist from the Israel Broadcasting Authority Channel B, went on *shlichut* to the United States in January 2007 as a public representative on behalf of the *Hagshamah* Department for four days, in order to review the YZL (Young Zionist Leadership) convention. The Chairman of the Executive approved for him to add three days of private vacation.
- b. The Director-General of the World Zionist Organization Finance Department went on *shlichut* to the United States in March 2008 for five days. The Chairman of the Executive approved for him to add five days of private vacation.

The Office of the Comptroller recommends setting a policy regarding the addition of private vacation days to working trips of members of the Executive, directors-general and public figures going on short-term *shlichuyot* on behalf of the Jewish Agency and World Zionist Organization and of anchoring it in the procedures of the Jewish Agency and of the World Zionist Organization.

The Secretary General of the Jewish Agency advised in response that, following the audit finding, the procedure of the Jewish Agency was updated in April 2009 by a resolution of an ad hoc committee of the Board of Governors. It is determined in the procedure that a private vacation during an overseas *shlichut* on behalf of the Jewish Agency requires special approval. Approval for members of the Executive is to be given by the Chairman and for the directors-general by the Director-General. We were told that this directive also refers to *shlichuyot* on behalf of the World Zionist Organization, Keren Hayesod and Keren Kayemeth LeIsrael-Jewish National Fund.

The Office of the Comptroller notes that, following the updating of the procedure, the new instruction also applies to members of the Zionist Executive and the Director-General of the Finance Department respectively.

As to short-term *shlichuyot* of public figures (approval of the *shlichut*, payment of per diem and addition of a private vacation and/or a family member), we recommend that adoption of the policy soon to be laid down at the Jewish Agency, following the audit recommendation.

We further recommend considering the adoption of the directives determined in the Short-term *shlichuyot* at the Jewish Agency procedure regarding the participation of the *shaliach* (who is not an employee of the institution) in the cost of the airline ticket (between 50 percent and 100 percent) where a private vacation of more than five days is added.

Per Diem and reimbursement of work-related expenditures

As noted, the Jewish Agency Finance Department applies the existing procedure at the Jewish Agency regarding the payment of per diem and reimbursement of work-related expenditures for members of the Executive and directors-general to heads of the departments at the World Zionist Organization, the Director-General of its Finance Department and department directors (formerly directors-general of the departments).

Public figures are paid per diem and reimbursement of expenditures on the same terms as regular employees.

The Office of the Comptroller is of the opinion that the instructions laid down in the procedure of the Jewish Agency should be adjusted for the structure and powers in the World Zionist Organization as to the body empowered to approve the expenditures of members of the Executive, the Director-General of the Finance Department, the department directors and public figures.

The Jewish Agency Finance Department bases itself on a per diem table of the Inter-ministerial Committee for Civil Servants which is published by the Salaries Division of the Ministry of Finance.

It emerges from an examination we made that, on May 1, 2008, the Ministry of Finance updated the per diem table but the Jewish Agency Finance Department is still paying the *shlichim* according to the rates in the old table, of September 1, 2007.

The Office of the Comptroller recommends that the Finance Department update its records according to the per diem rates in the updated table of May 1, 2008, and pay the per diem in accordance with these rates.

The Director-General of the Jewish Agency Finance Department advised in response that it was, indeed, not known to the Department that the Ministry of Finance had updated the per diem table and that, following the audit comment, the Department updated the rates in the financial system in March 2009.

The “Reimbursement of work-related expenditures for members of the Executive and directors-general” procedure determines that the per diem rate for participation in a conference or seminar, which took place on the conditions of “conference per diem” is 20 percent of the regular per diem allowance.

We were told that the formula according to which the organizational system calculates the per diem allowance on conference conditions to members of the Executive and directors-general does not comply with the structure of the updated per diem table, in which there is a differentiation between the rate for board and the rate for lodging.

Thus, an employee of the Finance Department is forced manually to correct the per diem reports they submit.

The Office of the Comptroller recommends that the Jewish Agency Finance Department act to correct the automatic calculation formula so as to obviate the need for manual correction of each per diem report in which payment of “per diem on conference conditions” is sought.

Reporting overseas travel

The audit found that, currently, the Chairman of the Zionist Executive is not required to submit a report to any body at all regarding the overseas travel of members of the Executive, the Director-General of the Finance Department and public figures who go on short-term *shlichuyot* on behalf of the World Zionist Organization.

The Office of the Comptroller recommends that it be determined in the procedure that, once a year, the Chairman of the Zionist Executive shall submit a report to the Executive on the travels of members of the Executive, the Director-General of the Finance Department and public figures who went on short-term *shlichuyot* on behalf of the World Zionist Organization.

June 2009

**Summary and Recommendations of the
Zionist Executive Committee
for Response to the Comptroller's Report on
Short-Term *Shlichuyot* at the
World Zionist Organization**

In July of 2007, the "Committee for Short-Term *Shlichuyot*" was established for the first time.

The members of this committee are: The Secretary of the Zionist Executive, the Director General of the Finance Department and the Director of Human Resources

In 2008, operations exceeded the Finance Department's *shlichuyot* budget.

At the end of each year, all World Zionist Organization departments are requested to submit to the short-term *shlichuyot* committee a detailed summary report, including approved budget and actual expenditure.

Flight Arrangements Unit – No flight ticket or insurance policy will be issued without approval by the *Shlichuyot* Committee.

Medical insurance – The Office of the Comptroller's guidelines should be followed, and statements of good health should be required for all *shlichim* and employees of the various departments embarking on short-term *shlichuyot*.

It is necessary to deduct medical insurance costs for *shlichim* who integrate private vacations in their short-term *shlichut*.

Private Vacation – *Shlichim* who integrate more than five days of private vacations in their short-term *shlichut* must be charged according to the

Jewish Agency's short-term *shlichuyot* procedure, as per the Office of the Comptroller's recommendation.

Reporting – *Shlichim* must submit summary reports for the *shlichut* within 14 days of returning to Israel.

Frequent Flyer Programs – The Committee accepts the Office of the Comptroller's recommendation regarding the ban on the utilization of frequent flyer bonus points by *shlichim*. It is necessary to verify that all World Zionist Organization *shlichim* act accordingly.

World Zionist Organization *shlichim* will avoid attending conferences in obvious tourist sites, such as: ski resorts, tropical islands, etc.

Department Heads – Department Head *shlichuyot* are approved by the Chairman of the Executive as prescribed under the procedure. The Office of the Comptroller's recommendation that the number of days abroad should be monitored, without exceeding the annual quota permitted for Executive members, must be followed.

SHELACH Program – The Committee accepts the Office of the Comptroller's recommendation regarding the streamlining and use of software between the various departments in order to coordinate and approve short-term *shlichuyot*.

Jerusalem, February 2010

The Zionist Council in Israel

**Summary and Recommendations of the
Zionist Executive Committee
for Response to the Comptroller's Reports**

The Zionist Council in Israel

Introduction

In January of 1967, the Zionist General Council passed a resolution (Resolution 35): "To establish in Israel a Zionist Council, whose function shall be to nurture Zionist values and Jewish unity, as well as to spread knowledge of the Diaspora and its thoughts among the public in Israel, and to encourage activities for the social and spiritual absorption of *Olim*".

The Zionist Council in Israel (hereinafter: **the Zionist Council**) was actually established in 1970, and represents a wide variety of Zionist bodies and organizations in Israel. The Zionist Council was founded as a supported unit of the World Zionist Organization, and is supported through the World Zionist Organization's budget.

The Zionist Council in Israel aims to reinforce the Zionist foundations of Israeli society, to increase its affinity to the Jewish nation, and to nurture Zionist Jewish education and social involvement among youth and adults alike.

The Zionist Council's activities take place all throughout Israel, from Metula in the north, to Eilat in the south. The Zionist Council nurtures and encourages public forums for Zionist discourse and activity.

The Zionist Council is headed by a public assembly, as well as an executive committee (active management). The executive committee is headed by a chairperson with two deputies. The bulk of the Zionist Council's programs are implemented through the two *amutot* founded by the Zionist Council.

The Director General of the Zionist Council is appointed by the World Zionist Organization, in consultation with the Zionist Council executive committee, and is employed by the World Zionist Organization. The

Director General acts according to the directives of the Zionist Council's public assembly and within the dictated budgetary limits.

The Director General of the Zionist Council is also a member of the Zionist Council's two *amutot*, and serves as their chairperson. He is also an authorized signatory in both *amutot*.

According to the Legal Department, there is no legal impropriety in an employee of the World Zionist Organization serving as an authorized signatory in the *amutot*.

The audit of the Zionist Council was carried out during the second half of 2008, and was based on meetings with the Director General of the Zionist Council, as well as meetings with Zionist Council employees, a representative from the Legal Department of the World Zionist Organization, the Director of the World Zionist Organization Finance Department, and a review of relevant documents.

The Activities of the Zionist Council in Israel

The Zionist Council operates the following forums:

- a. The Strategic Forum Deals with policy aimed at strengthening the Jewish Zionist character of the State of Israel.
- b. The Educational Forum Deals in the formulation of educational programs.
- c. The Zionist Forum for *Olim*.
- d. Mayors' Forum, Religious-Secular Forum, Israeli Communities Forum, CIS Immigrants Forum, and Ethiopian Immigrants Forum.

The Zionist Council operates the following programs through its two *amutot*:

- a. The Druze Zionist Council – Aims to nurture understanding and co-existence between the Druze community in Israel and Israeli society. The Druze Zionist Council operates in Druze villages in the Galilee region and on the Carmel ridge, and is operated through the Zionist Council Organization and the ETZ *Amutah*.
- b. The Amichai Pre-Military Program for social Zionist leadership, which takes place in Argaman and is operated through the ETZ *Amutah*.
- c. The Zionist Midrasha – Aims to nurture and reinforce Zionist Jewish awareness and is operated through the ETZ *Amutah*.
- d. The Tzameret Youth Movement: Zionism, Leadership, Fellowship, and Contribution (Hebrew acronym) Promotes Zionist values education, leadership development and encourages social involvement amongst youths. Operated through the ETZ *Amutah*.
- e. Alei Tzameret – Aims for the development of social Zionist leadership. Operated through the ETZ *Amutah*.
- f. The Israeli Zionist Congress.
- g. The Zionist Congress for Israeli Youth.

Legal Status

In light of the 29th Zionist Congress' resolution, the Zionist Council operates as a non-incorporated volunteer-based public organization, with a public assembly which determines the Zionist Council's policy and reports its activities to the Zionist General Council.

Under the Zionist Council's statute, the public assembly shall be comprised of no more than 41 members. Participation in the public assembly is personal and non-transferable. 16 members of the public assembly are selected according to recommendations of the World Zionist Organization, and are public figures of note. As of the date of this report, February 2009,

the organs of the Zionist Council have yet to ratify the statute specifying the above structure.

The statute also specifies that new members be appointed to the public assembly according to recommendations made by an admission committee. The admission committee is not required to explain its decisions.

As aforementioned, the Zionist Council was established in 1970, but its statute was only formulated in 2005. The statute was never brought for approval before the Zionist General Council/ the Zionist Congress, which, as aforementioned, established the Zionist Council as a supported unit of the World Zionist Organization.

The ETZ *Amutah*

In 1990, the Zionist Council established an *amutah* called ETZ – *Osim Zionut* (Doing Zionism).

According to an examination carried out by the Legal Department of the World Zionist Organization, the World Zionist Organization was not requested to approve the establishment of the *amutah*, which carries out part of the Zionist Council's activities.

According to the *amutah*'s statute, ETZ is subject to the resolutions of the Zionist Council in Israel, and is required to be in contact and cooperate with the Zionist Council in Israel.

The *amutah* is entitled to change its statute by resolution of its general assembly, passed by a majority of 2/3 of the votes present at that assembly.

Under the *amutah*'s statute, in the event of its dissolution, the *amutah*'s assets will pass to the Zionist Council or to a public institution, as defined under Section 9(2) to the Income Tax Ordinance, and will not be distributed among the *amutah*'s members.

The Legal Department and the Director of the World Zionist Organization Finance Department stated that they recommend amending the statutes of the ETZ *Amutah*, so that in the event of its dissolution, the *amutah's* assets shall pass to the World Zionist Organization.

As aforesaid, the Director General of the Zionist Council also serves as chairperson of the *amutah*, and as one of its authorized signatories.

Members of the *amutah's* executive committee are appointed by the general assembly, from among those persons active in the Zionist Council.

The Zionist Council *Amutah*

The Zionist Council in Israel *Amutah* (hereinafter: **the Zionist Council *Amutah***) was registered with the *Amutot* Registrar on August 9, 1998, and began operations in June of 1999.

Prior to the establishment of the *amutah*, discussions were held between the chairperson of the Zionist Council at the time, and the chairperson of the World Zionist Organization Executive at the time, regarding the transformation of the Zionist Council into an *amutah*. In a letter from the chairperson of the Zionist Council to the chairperson of the Zionist Executive dated December 25, 1994, the chairperson of the Zionist Council stated that "it is obvious that such an action requires that we, as well as the World Zionist Organization Executive, set clear and binding guidelines as regards the status of the Zionist Council, its employees, the assurance of their budget, and so forth". In response, the chairperson of the Zionist Executive wrote to the chairperson of the Zionist Council on December 27, 1994: "I suggest that you draft a proposed statute and send it to us for review, and if necessary, we will then appoint a joint committee".

To the best of the Legal Department's knowledge, the two bodies did not work together in drafting the Zionist Council's statute, and no joint committee was convened by the Zionist Executive and the Zionist Council

to examine the status of the latter, its employees, the transfer of budgets, etc. The Zionist Council's statute, which was registered with the *Amutot* Registrar was not approved by the Zionist Executive, but rather by the Director General of the Department for Zionist Activities, at the time.

In an examination carried out by the Legal Department, the following issues were found: under the *amutah's* statute, the World Zionist Organization has no clearly-defined part in controlling the *amutah's* institutions. According to the *amutah's* aims, it operates within those boundaries set forth by the 29th and 30th Zionist Congresses (1978 and 1982, respectively), and is open to membership by volunteer groups, organizations and institutions in Israel which are not represented in the Zionist Congress, and which identify with the principles and aims of the World Zionist Organization (these aims are not defined in the statute).

As aforesaid, the Director General of the Zionist Council also serves as chairperson of the *amutah*, and as one of its authorized signatories.

The Affinity between the World Zionist Organization and the Zionist Council Including the *Amutot*

In 2004, the Director General of the Finance Department approached the Treasurer of the World Zionist Organization, and stated that the two *amutot* established by the Zionist Council were in deficit. He expressed his concern that the Zionist Council would request that the World Zionist Organization cover these deficits.

In the Director's General opinion, these *amutot* are not connected to the World Zionist Organization, and so he does not intend to cover these deficits in the future.

Following the Treasurer of the World Zionist Organization's intervention, the Legal Department was requested to examine the affinity between the World Zionist Organization and the Zionist Council, the Zionist Council *Amutah*, and the ETZ *Amutah*, and to submit its report on the matter.

In addition, in its meeting on January 6, 2004, the Zionist Executive resolved to convene a committee from amongst its members which would examine all matters pertaining to the Zionist Council, and which would formulate recommendations for executive action.

The committee of members of the Zionist Executive submitted its recommendations to the Zionist Executive on August 1, 2005. The President of the Zionist Council, and his two deputies rejected the committee's recommendations in their letter to the Chairman of the Zionist Executive, dated September 18, 2005.

On December 18, 2006, the committee convened once more, and in that meeting stated that "the agents of the World Zionist Organization have no influence over the Zionist Council, except for the Director General of the Zionist Council, and that there is no clear affinity between the World Zionist Organization and the Zionist Council. Therefore, it is necessary to determine the legal affinity, without detracting from the Zionist Council's activities".

On February 6, 2007, the Head of the World Zionist Organization Department for Zionist Activities presented to the members of the committee a paper prepared together with the Legal Department, in which he proposed establishing a new *amutah* called "The Zionist Council in Israel founded by the World Zionist Organization". This *amutah* would replace the existing non-incorporated entity known as the "Zionist Council in Israel", and the existing *amutah*, likewise known as the "Zionist Council in Israel", as well as the "ETZ – Osim Tzionut" *amutah* and any other *amutah* affiliated with the Zionist Council. The public assembly of the new *amutah* would constitute the representative body of the *amutah*, and would be comprised of 41 members, to be appointed as follows: Chairperson of the Public Assembly (will serve as Chairperson of the Zionist Council) who will be recommended by the World Zionist Organization Executive and who will be elected from among the general assembly; 20 members who will be appointed by the World Zionist Organization; 20 volunteers willing to promote the Zionist ideal and the aims of the *amutah*.

Under this proposal, the affinity between the World Zionist Organization and the Zionist Council would be clear, as 20 members would be appointed by the World Zionist Organization, as well as the *amutah*'s chairperson.

At the request of the Head of the Department for Zionist Activities in Israel at the time, in a letter dated March 11, 2007, the Legal Department drafted an amended proposed resolution for the Zionist Executive on that same day, and added the following section: Should the Zionist Council be unwilling to cooperate and implement this resolution within two months of it being passed, then the World Zionist Organization shall immediately cease the transfer of funds to the Zionist Council and all its related *amutot*. According to the Office of the Comptroller's findings, this proposed resolution was never brought before the Zionist Executive.

On May 28, 2007, the Zionist Executive approved a draft resolution formulated by its committee, and coordinated by the Head of the Department for Zionist Activities in Israel. The contents of the draft resolution were as follows:

- a. The Zionist Council is a branch of the World Zionist Organization and the Zionist Executive requests to strengthen and formalize the ties between the two entities while maintaining its unique nature.
- b. In light of the ambiguity regarding the institutions of the Zionist Council, including methods of appointment, the Zionist Executive shall determine the manner of appointment for the Zionist Council's institutions. The composition of these institutions shall express the diversity of Zionism in Israeli society and in the Zionist movement.
- c. The Director General of the Zionist Council is an employee of the World Zionist Organization, and acts as per the decisions of the Zionist Executive and under the guidance of that member of the Executive under whose department the Zionist Council operates according to public

criteria. The Zionist Council is subject to audit by the Office of the Comptroller of the World Zionist Organization.

- d. The Chairman of the Zionist Executive, the Treasurer and the member of the Executive serving as Head of the Department for Zionist Activities in Israel, together with the committee of the Zionist Executive, shall examine the legal-structural framework through which the Zionist Council will operate, and they are authorized to act so as to establish a legal-structural framework as necessary.

As of the date of the audit (September 2008), the situation has not changed. No change has occurred in the structure of the Zionist Council, nor in its two *amutot*.

The Office of the Comptroller believes that the matter of the legal affinity between the World Zionist Organization and the Zionist Council, including its two *amutot*, must be settled as soon as possible, while bearing in mind the World Zionist Organization's responsibility, if any, for the Zionist Council's obligations.

In response, the Legal Department stated that a series of meetings were conducted on various levels, as regards amendment of the Zionist Council's statute and reinforcing its affinity to the World Zionist Organization and between itself and its *amutot*. In the last meeting, which took place on October 14, 2007, and which was attended by the Zionist Council public assembly, the Director General of the Zionist Council, the Head of the Department for Zionist Activities, and a representative of the Legal Department, a plan was approved whereby the Director General of the Zionist Council was required to act to amend the *amutot's* statutes, so as to make it clear that they are subordinate to the Zionist Council public assembly, and operate as per its policies. As of now, no proposals have been received for amendments to the *amutot* statutes. In addition, the Zionist Council's Director General was required to submit a new draft for the

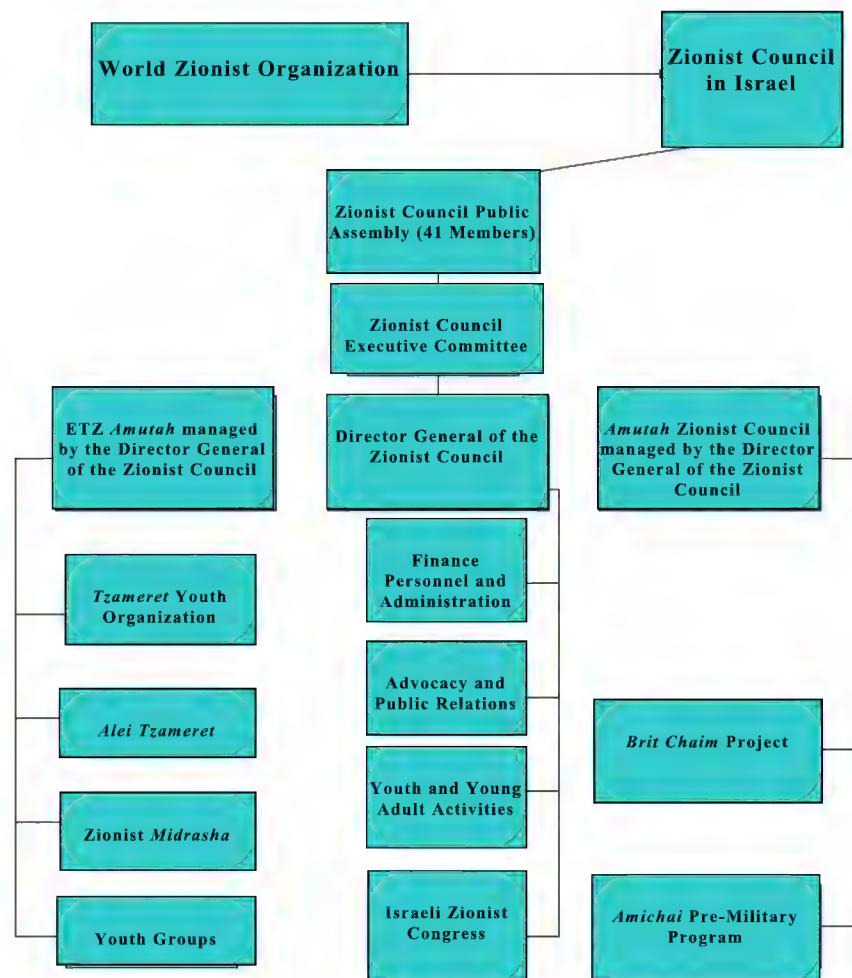
Zionist Council's statute. The Director General submitted this draft document on November 8, 2007, but it does not coincide with the agreements made during the meeting of October 14, 2007. There is no certainty that the amendments proposed for the Zionist Council's statute were indeed approved by any forum whatsoever within the Zionist Council. There is no doubt that these amendments were not brought before any forum of the World Zionist Organization for approval.

In addition, the Legal Department stated that when determining the legal affinity between the World Zionist Organization and the Zionist Council and its two *amutot*, it is necessary to bear in mind that the stronger the World Zionist Organization's control over the Zionist Council, the more liable it shall be for the obligations of the Zionist Council and its *amutot*.

Operations

Background - Structure

The Zionist Council in Israel's organizational structure is as follows:



In this illustration, we can see that the Zionist Council, the Zionist Council *Amutah* and the ETZ *Amutah* all operate as a single entity, from the same address, through the same person (the Director General of the Zionist Council), with the same accountant, and with the same staff (secretary, etc.).

Furthermore, the hierarchy between the World Zionist President, the Zionist Council and the two *amutot* is not clear, especially as under the *Amutot* Law, each of these organizations constitutes an independent legal entity.

As aforesaid, the Zionist Council is managed by the President and his deputies, as well as by the Director General of the Zionist Council, who is an employee of the World Zionist Organization, and serves, *inter alia*, as chairperson of the Zionist Council's two *amutot*, and is an authorized signatory therein.

According to the statute, the Zionist Council's public assembly shall convene at least four times a year. At the Office of the Comptroller's request minutes of only three meetings of the Public assembly were provided for meetings in 2007.

The executive committee (active management) convened only twice in 2007.

Budget Background

As aforesaid, the Zionist Council is a supported unit of the World Zionist Organization, and as such the World Zionist Organization allocates a budget for the Zionist Council activities.

The budget and actual expenditure for 2007 are presented below – in NIS:
based on entries in the World Zionist Organization's finance system.

	Budget	Actual Expenditure	Expended By		
			Zionist Council	Council <i>Amutah</i>	ETZ <i>Amutah</i>
Youth and young adult activities	144,000	130,420	130,420		
Zionist Congress in Israel	85,500	99,400	99,400	-	-
Publications	27,000	25,701	25,701		
Conventions and Seminars	72,000	53,272	47,439	5,833	
"Amihai" Pre-Military Program	76,500	69,027	-	69,027	
Director General of the Zionist Council	357,300	343,811	343,811		
Zionist Council employees (temp)	1,107,000	1,127,757	11,886		1,115,871
Overtime	103,500	107,046	107,046		
Company car	58,500	69,043	69,043		
Car	-	624	624		
Zionist Council parking	38,700	36,335	Indivisible		
Newspapers	4,500	2,760	2,760		
Mail	9,000	-	-		
Telephone	112,500	73,028	Indivisible		
Joint expenses	112,500	112,500	Indivisible		
Revenues	(-)36,000	(-) 45,399	(-) 45,399		
Refreshments for meetings and guests	36,000	21,798	21,798		
Miscellaneous	36,000	27,360	27,360		
Office equipment and furniture	<u>18,000</u>	<u>11,247</u>	No details available		
Total	<u>2,362,500</u>	<u>2,265,730</u>	<u>841,889</u>	<u>74,860</u>	<u>1,115,871</u>

According to the statute, the budgetary framework for the Zionist Council is submitted by the Chairperson of the Zionist Executive and the Treasurer for

approval by the World Zionist Organization Executive, and constitutes an integral part of the World Zionist Organization's budget.

Every year, the Zionist Council submits a work plan to the Zionist Executive and the Zionist Council executive committee. This work plan details the goals for the Zionist Council's activities in the coming year, but does not include financial data regarding expenses for the various activities, nor the sources of finance. The Zionist Executive does not discuss the Zionist Council's work plan every year.

The Office of the Comptroller recommends that the work plan be backed by financial data, so that it would be possible to monitor work plan realization each year both in substance and financially.

From the 2007 budget, it seems that in effect only two budget lines constitute direct Zionist Council activities. These budget lines are: Youth and Young Adult Activities, to the amount of NIS 130,420, and Conventions and seminars, to the amount of NIS 53,272.

These two budget lines constitute only 8% of the Zionist Council's total expenditure for 2007.

Another budget line in which the Zionist Council is active, is the Israeli Zionist Congress, for which net expenses in 2007 totaled NIS 99,400 (after receiving a total of NIS 79,100 from the World Zionist Organization). This budget line constitutes an additional 5% of the Zionist Council's activity.

In effect, out of a total expenditure of NIS 2,311,128 in 2007, expenses for Zionist Council activities constituted only 13% of the total budget.

The Zionist Council's main expense in 2007 was the transfer of a total of NIS 1,127,757 (which constitutes 50% of all expenses) to the *ETZ Amutah*, for payment of employee salaries.

In May of 2008, salary payments were made to 14 temporary and 9 permanent employees. It should be noted that prior to the establishment of

the ETZ *Amutah*, these employees were employed by the Zionist Council/ the World Zionist *Amutah*. The Director General of the Zionist Council expressed extreme outrage over the transfer of these employees to the ETZ *Amutah* and the World Zionist Organization's shirking of its obligation towards them.

It should be noted that all staff employees who in reality serve the Zionist Council, the Zionist Council *Amutah*, and the ETZ *Amutah*, are registered as employees of the ETZ *Amutah*.

The Zionist Council, through the World Zionist Organization, employee only one person – the Director General. The Zionist Council's budget in the World Zionist Organization includes the Director General's salary, overtime, and company car.

Furthermore, in 2007, the Zionist Council paid a total of NIS 36,335 for parking for eight employees – the Director General of the Zionist Council, and seven additional employees of the ETZ *Amutah*.

In 2007, the World Zionist Organization transferred to the Zionist Council *Amutah*, through the Zionist Council, a sum of NIS 69,000, and an additional sum of NIS 42,000 which was transferred directly to the Zionist Council *Amutah*. In all, the World Zionist Organization transferred a total of NIS 111,000 to the Zionist Council *Amutah*, for the "Amihai" Pre-Military Program.

From analyzing the Zionist Council's activities in 2007, it seems that in fact only half of the budget was utilized for operation and maintenance of the Zionist Council, while the other half was transferred to the ETZ *Amutah*.

The Zionist Council *Amutah*

The Zionist Council *Amutah* is CPA-audited, and files its statements with the *Amutot* Registrar. The Comptroller's audit of the Zionist Council does not include an audit of the activities of the Zionist Council *Amutah*.

The *amutah* operates only two projects: the "Amihai" Pre-Military Program, and the *Brit Chaim* project.

The *amutah*'s revenues include funds received from the Jewish Agency, to the amount of NIS 168,535, for the *Brit Chaim* project, and a sum of NIS 133,300 for Zionist activities. In addition, a total of NIS 111,000 was received from the World Zionist Organization (of which NIS 69,000 were received through the Zionist Council), for the pre-military program.

The *amutah* ended 2007 with a current deficit of NIS 131,116, and an accumulated deficit of NIS 274,771.

The ETZ *Amutah*

The ETZ Organization is CPA-audited, and files its statements with the *Amutot* Registrar. The Office of the Comptroller did not examine the *amutah*'s activities.

The *amutah* conducts a number of projects: a youth organization, a Zionist midrasha, the Israeli Zionist Congress, a co-existence project, *Brit Chaim* – Druze, heritage and folklore, and a *Shnat Sherut* project.

The following details the *amutah*'s revenues, from national institutions, based on its pro-forma balance sheet for 2007.

a. World Zionist Organization – through the Zionist Council	1,115,871
b. Jewish Agency for projects	306,118
c. Keren Hayesod	21,150
d. Keren Kayemet LeYisrael	20,630

As aforesaid, the *amutah* has additional revenues from the Ministry of Education and from additional sources.

According to its 2007 balance sheet, the *amutah* ended 2007 with a current deficit of NIS 83,620.

In response, the Director General of the Zionist Council stated that this deficit is due to the Ministry of Education transferring its obligations for 2007 in early 2008, and so, in actuality, the *amutah* did not have an operating deficit.

The Israeli Zionist Congress and the Zionist Congress for Israeli Youth

According to data from the Zionist Council and the budget of the ETZ *Amutah*, the following table presents a summary of the World Zionist Organization's participation in covering the expenses of the Israeli Zionist Congress and the Zionist Congress for Israeli Youth for 2007, in NIS:

Through the Zionist Council	178,500
Miscellaneous expenses line in the World Zionist Organization budget	38,000
Activities with organizations line in the World Zionist Organization budget	65,000
Participation by the Jewish Agency (the Aliyah and Klitah Department)	30,000
Activities Manager line in the World Zionist Organization budget	<u>11,500</u>
	<u>323,000</u>
In addition, the ETZ <i>Amutah</i> participated in the expenses of the aforementioned congresses, to the amount of	<u>57,000</u>
Total participation by the World Zionist Organization and the ETZ <i>Amutah</i> in covering congress expenses	<u>380,000</u> =====

Conclusion

The Zionist Council, the Zionist Council *Amutah* and the ETZ *Amutah* operate as a single body from the same address, by the same person (the Director General of the Zionist Council), using the same accountant, and with the same staff (secretary, etc).

In 2007, the World Zionist Organization provided the Zionist Council with a total budget of NIS 2,265,730, and for the Zionist Council *Amutah* a total of NIS 42,000.

The following table summarizes the support of the various national institutions for the Zionist Council's activities, including its *amutot*, for 2007:

	Zionist Council <i>Amutah</i>	ETZ <i>Amutah</i>
World Zionist Organization*	69,000*	*1,115,871
	42,000	
Jewish Agency	301,835	306,181
Keren Hayesod	-	21,150
Keren Kayemet LeYisrael	_____	<u>20,630</u>
Total	412,835	1,463,832
Other revenues	1,162,747	647,940

* In fact – funds were transferred by the Zionist Council from its allocation of NIS 2,265,730 received from the World Zionist Organization.

The Zionist Council *Amutah* and the ETZ *Amutah* ended 2007 with a deficit. According to the Director General of the Zionist Council, the World Zionist Organization is responsible for the *amutot*. However, the Director General of the World Zionist Organization Finance Department argues that he is not responsible for the *amutot*'s operations, nor for their performance results.

The Office of the Comptroller requested the opinion of the World Zionist Organization's Legal Department in this matter.

The Legal Department's conclusion was as follows:

"The conclusion is that at the current level of institutional affinity between the World Zionist Organization and the *amutot*, the World Zionist Organization does not have control over the *amutot*, and the affinity between them is not strong enough to ascribe the *amutot*'s debts to the World Zionist Organization under dissolution by way of piercing of the corporate veil nor through agency relations between the organizations. This is especially so, as it does not seem that there was any misuse of the separate legal entity of the Zionist Council's *amutot* (misuse as aforementioned, such as: identical and mixed assets; thin capitalization; fraud; asset smuggling; attempts at circumventing the law). The facts whereby the *amutot* implement the Zionist policy dictated by the Zionist Council and the decisions of the Zionist institutions and are financed, directly or indirectly, by the World Zionist Organization, are insufficient, of themselves, to conclude that the World Zionist Organization be required to pay the *amutot*'s debts and/or to ascribe the *amutot*'s debts to the World Zionist Organization under dissolution. These facts do not show that, in effect, the *amutot* are managed by the World Zionist Organization and/or that they are controlled by the World Zionist Organization in such a manner that they constitute an instrument of the World Zionist Organization and/or that their discretion is voided. The *amutot* operated, as aforesaid, as independent entities, without the World Zionist Organization having any effective control therein."

The Office of the Comptroller believes that that the activities of the three bodies comprising the Zionist Council is indivisible, as the three operate as a single unit, as aforementioned. The World Zionist Organization must make the decision and legally formalize the legal and financial affinity between itself and the Zionist Council in Israel, including the two *amutot* operating there under.

April 2009

**Summary and Recommendations of the
Zionist Executive Committee
for Response to the Comptroller's Report on
The Zionist Council in Israel**

The Zionist Council in Israel operates a variety of programs for strengthening Zionism in Israel.

The Zionist Council is an organ subordinate to the World Zionist Organization.

The Zionist Council in Israel's affinity to the World Zionist Organization must urgently be reinforced. The Zionist Council is subordinate to the World Zionist Organization's Department for Zionist Activities in Israel, and significant decisions must pass through the Department, and subsequently be submitted to the Zionist Executive for approval. The new statute approved by the Executive will also be approved by the Zionist Council.

It is necessary to select the Zionist Executive's representatives, who will serve on the Zionist Council's executive committee. The Zionist Council in Israel has two independent *amutot*, which should be reported to the Zionist Executive. These *amutot* cannot operate as independent entities, and their activities must be reported and coordinated.

The financial matter and the existing deficits will be brought for discussion before a special committee convened for this purpose.

Jerusalem, February 2010

Keren Kayemeth LeIsrael
Communications and Public Relations Division

**Summary and Recommendations of the
Zionist Executive Committee
for Response to the Comptroller's Reports**

Keren Kayemeth LeIsrael

Communications and Public Relations Division

1. Preface

1.1 The audit at the Communications and Public Relations Division (hereinafter: the Division) of Keren Kayemeth LeIsrael-Jewish National Fund (hereinafter: KKL-JNF) was conducted in the months of July – October 2008 at the offices of the Division in Jerusalem and Tel Aviv. Meetings and conversations were held with the director of the Division, the director of the Events Department, the budget officer of the Division, the secretary of the Division, the secretary of Board of Directors sub-committee and a number of contact persons in the different departments of the Division.

1.2 The audit subjects were:

- ◆ Examination of the mode of construction of the budget by the Division, management of the budget, follow-up on the implementation, budgetary transfers and the like.
- ◆ Review of the information system supporting the activity of the Division.
- ◆ Examination of the work of the Division as against the annual work program and as against the goals of the Division.
- ◆ Examination of the interface between the Division and the various districts.
- ◆ Review of the different functions in the Division, including the existence of job definitions and their compatibility with the actual activity.

- ◆ The activity of the Board of Directors sub-committee and the cooperation between it and the management of the Division.
- ◆ Examination of the mode of information transfer regarding KKL-JNF policy and the policy of the Division to the directors of the departments and units in the Division.
- ◆ Examination of the mode of information transfer between the various departments and units in the Division.
- ◆ Examination of the holding of various events throughout the activity year, with an emphasis on periods in which peak activity with a maximum number of participants is possible.
- ◆ Examination of the collection of monies from customers.
- ◆ Examination of the profitability of budgetary (i.e., unsubsidized) events.
- ◆ Examination of the mode of subsidization of the various events, the considerations for granting a subsidy and for determining the amount of the subsidy and whether the various subsidies do not create excessive deviations from the framework of the budget.
- ◆ A sample examination of the contractual arrangements with suppliers / service providers, including the mode of submission to the Exemptions Committee of the request to contract with a supplier and receipt of approval for the contractual arrangement, issue of an order, its approval, receipt of the service, payment and its entry in the books.
- ◆ Examination of the mode of giving a response to complaints from the public and whether complaints from the public are handled by one body at KKL-JNF or by a number of bodies and the ramifications of this.

1.3 As part of the audit, the below-listed actions, *inter alia*, were carried out:

- ◆ Receipt of a detailed explanation on the work processes in the Division with respect to the above subjects.
- ◆ Holding of meetings with contact persons in the various departments of the Division at which a detailed explanation was obtained as to how matters are conducted in the departments and in the Division.
- ◆ Production of budget implementation reports from the system for the years 2007 – 2008 and their analysis.
- ◆ Examination of the support of the computerized system for everything to do with management of the budget.
- ◆ Reading of the 2007 and 2008 financial statements.
- ◆ Sample examination of contractual arrangements with suppliers, pricing of events and projects.
- ◆ Analysis of the results, summary of the findings and conclusions and writing of the audit report.

2. Background

2.1 The Communications and Public Relations Division operates in a number of channels to increase awareness as to the existence of the KKL-JNF and empathy for the organization. The Division also works to enlarge the involvement of the public in KKL-JNF activities. Increasing awareness and involvement in the activities of the organization directly lead to increases in the contributions to the organization.

The Division comprises four departments, two independent units and a divisional secretariat, for a total of 29 employees.

(See Appendix - Organizational Structure of the Communications and Public Relations Division).

The Division also employs some 148 temporary workers, some of whom started working for the Division between 1994 and 2008.

Breakdown of the temporary workers (as of September 2008):

Position	Number of employees
Counseling	125
Counseling + traffic call center	5
Counseling + “Forest line” call center	4
Counseling + coordination of volunteers	2
Events production	2
“Forest line” call center	10
Total temporary workers	148 *

* The number of temporary workers stated is a total number for all the temporary workers who were employed in the Division in the period in question.

A Board of Directors sub-committee accompanies the work of the Division. Ten directors are members of the committee. The committee meets around the time of the meetings of the Board of Directors.

2.2 The Departments of the Division

- a. Spokesperson’s Department:** the department is responsible for the public relations of KKL-JNF and coordinates all the publications accompanying the various projects and events organized by the Division and by the different districts.

The work with Jewish media in the world and with the foreign press is undertaken through an outside company.

The department has four employees.

- b. Projects Unit (an independent unit):** The department is responsible for special projects. It currently engages primarily in the “Cleaning the world” project and coordinates all the activity inherent in this project both at the intra-organizational level and with bodies outside the organization, such as: fundraising, forest and open spaces cleaning campaigns, expansion of the project for a new public (companies, associations, sectors) and so on. There are also various projects such as content-based cooperation or “green” activity ecocinema d information stations on Road 6 and so on.

The Unit has one employee.

- c. Friends of KKL-JNF Group Department:** To the date of our audit, the department managed the contact vis-à-vis Masa Acher, which constitutes a platform for publications of the Friends of KKL-JNF, which is a membership group whose members pay dues and are granted various benefits. The department manages the Friends Group and all the mailings addressed to the Group as well as *e-yaroq*, a weekly on-line newsletter distributed to some 70,000 households in which are advertised tour itineraries and events of KKL-JNF. The newsletter is distributed to the Friends Group and also to people who are not members of the Group.

The department is also responsible for “*Chadashot beYaroq*” a television program on Channel Two and designed to put across KKL-JNF content.

The department has two employees.

d. Events Department: The department is responsible for the production of events and tours. As part of the activity, the department uses volunteers of the United Kibbutz Movement (Takam) on *Shnat Sherut* and, since September 2008, members of the Scouts Movement. In 2007, there were five *Shnat Sherut* volunteers and, in 2008, there are eight.

The department also operates the telephone call center “*Kav leYaar*” in which, *inter alia*, KKL-JNF events are advertised.

The department has three employees.

e. Advertising Department: The department is responsible for the production and marketing of films, publications, informational films, virtual operation of “KKL-JNF Basket”, posters and exhibitions. Similarly, the department is responsible for the historical and contemporary photo archives of KKL-JNF. Last year, in conjunction with Harvard University, the department carried out a process of sorting, keying and computerization of the archives.

The department has nine employees.

f. Internet Unit (an independent unit): The unit is responsible for KKL-JNF sites in Hebrew, management, updating and development of the main KKL-JNF site and also for secondary sites: “KKL-JNF basket” (operation of an internet shop for KKL-JNF products for the purposes of marketing and publicity) and “Click & Plant”. The work of the unit includes directives at the level of development and design for suppliers who are responsible for the secondary sites as well as for the content shown on these sites. The department is also responsible for finding various publications about KKL-JNF on the internet through a “radar” program. In addition, the department deals with complaints from the public either through direct answers to

applicants or by forwarding the complaint to another party in the Division whose work is relevant to the subject of the complaint.

The department has two full-time employees and another employee at two-thirds of a post.

The Office of the Comptroller examined the existing job definitions in the Division, from the departmental directors, via their staff to the representatives of the Division in the regions. The Office of the Comptroller also reviewed the activity of the Division in light of the goals and targets defined by the departments.

The audit findings were:

- ◆ There are no work procedures detailing the job definitions for the employees of the Division in the departments and for the representatives of the Division in the regions. Every employee knows his job in the department but, since each has a number of functions and broad responsibility, the definition of the job and the occupation is not clear-cut. In view of the above, there could be a situation where not every subject is handled in depth and some subjects are handled by a number of people.
- ◆ The various departments have goals and targets they set for themselves. They do not all have clear goals and targets that can be quantified at the end of a year's activity. No examination is carried out at the end of a year's activity as to the mode of implementation of the targets and the activity of the department is not examined in accordance with the goals and targets set.

For example: the targets of the “*Kav laYaar*” call center are:

- To expand the circle of friends “on the green path”.
- To increase the numbers of those participating in events.

- To convey information about KKL-JNF activities to the public.

Furthermore, the goals and targets, as currently found in the various departments, have not undergone approval of the director of the Division and have not been brought to the knowledge of the other departmental directors.

Conclusions and recommendations:

- ◆ Work procedures should be written up laying down clear definitions of jobs and occupations for all the staff of the Division so that the employees will be able to understand the nature of their job and the expectations derived therefrom and those in charge of the employees will be able to check whether the employee is doing his job loyally in accordance with the directives and the job definitions given to him.

Response of the Division

A process of analyzing occupations has recently been happening at KKL-JNF, including the Communications Division. Following this process, job definitions will be determined and work procedures defined.

- ◆ It is recommended that a divisional work program be built, from which the goals of the various departments and their work programs can be derived. It is also recommended that quantifiable targets be set so that, at the end of an activity period, it will be possible to analyze the scope of the activity in comparison with previous periods and work programs can be built for the future that will be compatible with the goals and targets set should these not have been fully achieved. It is further recommended that the targets of the Division and of the departments be presented to all the departmental directors.

Response of the Division

Before the start of a new activity year, a general work program with

defined targets and goals on the basis of the divisional budget is laid down. As far as quantifiable targets are concerned, targets can be set for the number of members of the Friends, the number of subscribers to “e-Yaroq” but it is very difficult to set measurable targets for the activity of the Division in the spheres of creating recognition and appreciation.

3. The Budget of the Division

The budget of the Division is built by the director of the Division according to the directives of the KKL-JNF management and the Board of Directors and is conveyed for the approval of the Board of Directors sub-committee. Once a quarter, the sub-committee conducts a follow-up on implementation of the budget as against the planning. Should there be a need to make a transfer between various lines in the budget, such is done with the approval of the director of the Division. Where transfers express a policy change, the matter is brought for the approval of the sub-committee.

The budget of the Division is administered by the pan-organizational financial system (ERP) (hereinafter: *Maaleh*). Current use of the system was initiated some nine months ago. The purpose of the system, *inter alia*, is to manage the budget of the divisions and departments in accordance with the planning, to minimize deviations from the budget, to supervise the contractual arrangements with suppliers and so on.

Following is the planned budget as against actual implementation for the activity of the Division in 2007 and 2008 according to the budgetary lines:

Budgetary line	2008 budget in NIS	Updating of the budgetary line during the year	2008 actual in NIS as at Sep. 28, 2008	2008 budget in NIS	Updating of the budgetary line during the year	2007 actual in NIS
Cleaning Israel (income-dependent line)	100,000	----	47,962	300,000	----	298,729
Missions of the Communications Division	80,000	----	38,604	90,000	65,213	65,554
Foreign language media	307,000	211,839	75,660	340,000	310,000	233,593
Public relations	346,000	----	146,586	350,000	----	229,785
Work with the press	162,000	----	129,668	120,000	123,000	120,865
Radio, press, television	3,150,000	3,341,061	2,656,184	3,470,000	3,397,000	6,097,156
Special informational activities	435,000	312,000	148,446	480,000	----	439,415
Media control	148,000	----	102,689	165,000	----	153,895
Participation in cultural and information projects	63,000	55,100	20,230	70,000	----	68,591

Budgetary line	2008 budget in NIS	Updating of the budgetary line during the year	2008 actual in NIS as at Sep. 28, 2008	2008 budget in NIS	Updating of the budgetary line during the year	2007 actual in NIS
Publications in Hebrew	270,000	----	122,212	300,000	----	266,659
Foreign language publications	100,000	----	48,196	110,000	102,999	85,111
Films	189,000	----	117,148	210,000	----	208,198
Exhibitions	138,514	----	73,305	155,000	----	141,823
Photography archives	44,000	----	34,886	50,000	44,000	19,419
Digitalization	220,000	----	184,696	120,000	90,000	89,630
e-Yarog	660,000	640,000	351,988	730,000	728,567	728,566
KKL-JNF internet site	510,000	----	145,729	600,000	----	554,965
Special events (income dependent line)	1,545,000	----	1,276,977	1,700,000	1,906,220	1,893,935
Friends (income dependent line)	1,045,000	945,000	335,930	1,100,000	900,000	1,021,064
	9,512,514	5,505,000	6,057,096	10,460,000	7,666,999	12,716,953

The Office of the Comptroller examined the budget management in the Division, including the updating of the various budgetary lines in the *Maaleh* system, follow-up on implementation as against planning, transfer of monies between different lines and performance of controls over management of the budget by the departments of the Division.

The audit findings were:

- ◆ There is no guiding procedure as to how to manage the budget in the *Maaleh* system and so some departments manage their budgets in Word and Excel files in the Friends program. In view of the above, the departments of the Division do not extract the maximum benefit from the *Maaleh* system. Furthermore, there is no proper follow-up and control over the budget.
- ◆ The audit found that there is no follow-up in the Division on actual implementation of the budget as against the planning on a current basis. Furthermore, various audit reports are not produced as part of the current activity. In view of the above, deviations from the budget cannot be identified and actions taken to correct them and exceptional cases cannot be found (such as duplicate procurement orders, open procurement orders and so on) in real time.
- ◆ According to the 2007 budget analysis, the Spokesperson's Department overspent in the budgetary line of radio, press and television by NIS 2,700,156. The deviation stems from production of an advertising campaign by the Spokesperson's Department at the end of 2007. The campaign was approved by the KKL-JNF Board of Directors but the budgetary line of the department was not updated.

Conclusions and recommendations:

- ◆ A procedure reflecting KKL-JNF policy regarding management of the budget should be written up, including how the financial system supports its management.

Response of the Division

The management of the Division adopts the recommendation and is taking steps to that end in conjunction with the Budgets Division.

- ◆ There should be current control and follow-up on actual implementation of the budget of the various departments of the Division throughout the year. Furthermore, rules and directives should be determined as to how to act if there is a deviation in the various budgetary lines.
- ◆ It should be ascertained that all the budgetary changes in the Division are updated in the *Maaleh* system, particularly changes made towards the end of a year, this being in order to obviate a situation of erroneous presentation in the statements produced by the financial system.

Response of the Division to the above two conclusions and recommendations:

At the time of audit, supervision over the budget and its implementation was imposed an employee who worked in the office of the director of the Division. The employee did not perform the job in accordance with expectations. Hence, an organizational change was made and nowadays current and constant follow-up is carried out on budgetary implementation as against planning.

4. Activity of the Division

Transfer of data between the Division, the departments and the districts.

The Division and its departments as well as its representatives in the different districts work to increase awareness and the importance of KKL-JNF by producing events and advertising in the media and so on.

Transfer of the information between the different departments and districts is undertaken by content meetings, meetings of the divisional management, in person and by telephone.

The Office of the Comptroller examined the mode of data transfer between the Division and its different departments and the representatives of the districts.

The audit findings were:

- ◆ There is no procedure or work directive discussing the mode of data transfer between the different departments of the Division, such as: transfer of information regarding the existence of various events, reports from field staff (primarily supervisors and foresters) about happenings and events at the sites to representatives of the districts and to the Spokesperson's Department. In view of the above, the Division is not maximizing the latent potential of the event / happening for achievement of its goals and for the current use of the different departments.

Conclusions and recommendations:

- ◆ The desirable mode for data transfer between the departments of the Division should be anchored in a procedure or in work directives so that material created in the Division is brought to the attention, and for the use, of all the departments. Furthermore, it is recommended that the field staff be instructed to transfer relevant information to a

specific party in the Division. The responsibility will be imposed on this party to convey the information to the relevant departments for their current use.

Response of the Division

At the present time, the internet unit is developing a shared file which will enable all employees of the Division to be updated about the activities of all the units and transfer of information between the Division, the departments and the districts.

5. Collection of monies

The collection of monies in the Division is done as part of the Friends Group and the Special Events Department. The Friends have 6,000 paid-up members (of whom some 800 are employees of KKL-JNF). There are also some 75,000 subscribers of *e-Yaroq*. Registration for *e-Yaroq* is without payment.

The collection in the Friends Group is carried out by joining the Group or by renewal of a subscription to it.

Possibilities for joining the Friends Group:

- Cooperative ventures with companies: joining the Friends Group through contacts with companies (such as Pesagot, Hever, Bezeq, the Policemen's Funds and the like). These customers pay a reduced price.
- Marketing on site in events which the Special Events Department produces.
- Regular information stalls at KKL-JNF sites (such as the Sataf information station).
- Marketing of the Group to those who contact the *Kav leYaar* call center.

- Advertising in the media: marketing of the Group in the KKL-JNF Basket and on the internet site of KKL-JNF, newspapers and in the internet information page *e-Yaroq* which is distributed free to all who ask.

New members or members who renew their subscription to the Friends Group after a year, in a regular framework, pay NIS 95 a year for a family subscription. This includes, *inter alia*: six copies of the magazine “*Masa Yisraeli*” with KKL-JNF content, an almanac, blue box, Friends card and benefits on participating in KKL-JNF events.

Possibilities for membership renewal:

- Telemarketing feeler of the Friends Group.
- Direct mailing to the home of the Friend with a proposal for renewal of the membership.
- Direct appeal to Friends who joined through cooperation with companies in the past and whose subscription has lapsed.

The collection is made through the *Kav leYaar* call center, which charges subscriptions to credit cards only. If the customer is interested in payment by cheque or in cash, the payment is sent directly to the Friends Group Department. An employee of the department receives the payment, feeds the data into the Friends system and ensures its deposit.

The Friends system produces a Friend's number only after the payment for someone newly joining. Where those joining belong to an organization with which there is cooperation, a Friend's number can be issued before the payment is received.

After someone joins the Friends Group, the employee of the department issues a receipt for the payment from the Friends system and sends it by post or email to the newly-joining customer.

If the Friend wishes to cancel the subscription, the request is transferred to the employee of the department for cancellation of the subscription and refund of the payment. The employee of the department, in cooperation with the director of the department, determines the amount of the refund in accordance with the date of the cancellation request. Where the payment was made by credit card, the refund is made by the Friends system to the credit card. Where the payment was by cheque or in cash, the employee sends a payment order to the KKL-JNF Finance Department for a cheque to be issued for the amount of the refund.

A further channel for collection from customers is the income from events which the Special Events Department holds. The payment is made through the *Kav leYaar* call center and by credit only, apart from exceptional customers who prefer to pay by cheque. Moreover, the payment is sometimes made at the actual event, when the Events Department makes a payment stall available for receipt of the payment for participation in the event or for the sale of accompanying accessories.

**Breakdown of means of collection – Friends Group
(as at October 23, 2008):**

	Means of payment	2007	2008
Joining	Credit card	NIS 59,340	NIS 70,780
	Cheque	NIS 1,270	NIS 2,830
	Cash	NIS 770	NIS 245
	Income from cooperative ventures	NIS 397,230	NIS 183,135
Renewal of subscription	Credit card	NIS 159,485	NIS 179,460
	Cheque	NIS 57,780	NIS 10,710
	Cash	NIS 495	NIS 190
	Income from cooperative ventures	NIS 1,500	NIS 1,200
Total -		NIS 677,870	NIS 448,550

The Office of the Comptroller reviewed the process of collection from customers and the different means of collection.

The audit findings were:

- ◆ The income of the Division from the activities of the Friends Group and special events are entered in the Friends program by the relevant departments. Periodically, a report is issued by the Friends program and sent to the Finance Department for the income to be recorded in the books of the company. The said process is carried out manually and, by its nature, is exposed to typing and processing errors in the updating of the figures.
- ◆ From an analysis of the income figures in the books of the company and in the Friends program, it follows that there are discrepancies between the data in the different systems, as specified in the following table:

Breakdown of income for 2007–2008 (as at October 23, 2008):

Year	Department	Maaleh program in NIS	Friends program in NIS	Difference
2007	Cleaning Israel	817,320	-----	-----
	Friends Group	617,240	677,870	-60,630
	Special events	753,996	678,637	75,359
2008	Cleaning Israel	92,665	-----	-----
	Friends Group	245,333	286,295	-40,962
	Special events	363,649 *	441,834	-78,185

- * The balance is composed of NIS 291,432 which appears in the books of the company and NIS 72,217 which is not yet updated in the books of the company but appears in the errors report of the *Maaleh* program.

Conclusions and recommendations:

- ◆ The possibility should be looked into of managing the income of the Friends Department and special events in the *Maaleh* program.

Response of the Division

The matter will be examined together with the Budgets Division.

- ◆ The discrepancies between the figures in the data systems should be checked and corrected accordingly.

Response of the Division

The existing differences in the breakdown of the income in the Special Events Department apparently derive from an update of the income in the Maaleh program in 2007 which belongs to 2008. With the Friends Group, the origin of the discrepancy is apparently in double or missing entries in the Maaleh program.

6. Events

Activities of the Special Events Department

The director of the Department is responsible for the spread of the events over the year. The director of the Department determines the timetable of the events, with the activity of the Department being divided into specific special events (such as Tu Bishvat, Pesach, Independence Day and so on) and regular activities on Thursdays and Fridays and sometimes also on Shabbat (the Shabbat activities are carried out by KKL-JNF volunteers and/or in cooperation with outside bodies), *Shnat Sherut* volunteers working under the patronage of the Events Department with responsibility for the activity of the families.

Spread of events for 2007–2008 as at October 23, 2008:

Type of event	2007		2008	
	Number of events	Number of participants	Number of events	Number of participants
Fridays	130	4,955	80	5,984
Shabbat	43	5,991	79	13,619
Tu Bishvat	19	24,252	8	3,230
Chol Hamoed Pesach	70	3,124	24	3,912
Independence Day	7	670	1	5,000
Summer nights	6	3,979	5	2,180
Chol Hamoed Succot	53	7,218	30	14,483
Other	95	3,966	41	2,761
Total	423	54,155	268	51,169

The Office of the Comptroller reviewed the manner of the spread of the current events over the activity year.

The audit findings were:

- ◆ The events are currently held on the basis of a pattern that has been accepted for many years, there being no connection between the number of events held and the number of participants at them. At events held on Sabbaths and holidays, the response of the public is greater than for mid-week events but still, at the peak of the activity, it amounts to four groups with an average of 45 participants (some 180 participants in all). On the other hand, for large events such as the Independence Day event, the olive harvest in the Ben Shemen Forest, Tu Bishvat plantings, thousands of people come in the wake of correct marketing, advertising and financial investment.
- ◆ The review by the Office of the Comptroller shows that the response of the public to family events on Fridays is low in relation to the response to events held on the Sabbath. Hence family events on Fridays are frequently cancelled.

- ◆ Until July 31 of the current year, *Shnat Sherut* volunteers helped activate the families. This prejudiced the holding of family activities in August, when the children were still on summer vacation.

Conclusions and recommendations:

- ◆ It is recommended that the activity pattern of the Events Department be looked into and it be decided whether the current pattern is indeed optimal for realizing the goals of the Division and of KKL-JNF. Cancellation of some of the current events during the year and the referral of the resources for holding large events at a higher frequency would make it possible to achieve the purposes optimally as against the current pattern.

Response of the Division

The director of the Division holds periodic discussions at which the activity pattern of the Events Department is examined. Following these discussions, the activity pattern has been altered more than once.

- ◆ The policy of KKL-JNF should be looked into regarding the timing of event productions, while considering the target population of those events, with a view to increasing the response of the public.

Response of the Division

The spread and timing of the events are periodically examined by the management of the Division.

- ◆ A possibility should be looked into of the activity of the *Shnat Sherut* volunteers continuing to the end of August in order to increase the activity for families during that month. Likewise, if the proposed solution is not applicable, alternatives for these counselors should be considered in order to utilize the vacation months for leveraging KKL-JNF activity and thereby increasing the awareness of the public for the activity of the organization.

Response of the Division

The activity of the Shnat Sherut volunteers was extended this year until the end of August on a partial basis due to organizational and budgetary difficulties.

Management and production of events

The Special Events Department is responsible for production of weekly events and special events. The large events are produced by an employee of the Department and the weekly events are produced by the representatives of the Division in the districts, in cooperation with the Events Department.

The Special Events Department runs all the events which the Division initiates during the year, including the representatives of the Division in the different districts through the Friends Group program (hereinafter: the Friends).

The various events are produced in accordance with a bimonthly events calendar for which the director of the Department is responsible. The events are administered in the Friends program, from the setting up of the event to the payment to the various suppliers who supported the holding of the event (such as: security, transportation, guiding and so on).

The Office of the Comptroller examined the mode of setting up events in the various systems, including auditing the actual cost of the events in accordance with the estimated budget and actual implementation.

The audit findings were:

- ◆ There is a 2004 procedure called “Production of events in the Friends program” which reflects the policy of the Division regarding the mode of production of the various events. This procedure does not include the production of events undertaken on a regular basis

through the representatives of the Division in the districts, production of budgetary events (not subsidized) and so on.

- ◆ An employee of the Department undertakes follow-up and control on the input and receipt of invoices from the various suppliers by updating the designated field in the Friends system. In accordance with the updating of the field, the employee of the Department knows how to distinguish between the events audited by her and those not yet audited. Our audit showed that there is no special authorization for marking the said field and any employee can signify that the expenditures with respect to the event were checked and approved. Thus, there could be a situation where costs were approved without the implementation of control and follow-up by the competent employee of the Department.
- ◆ The audit showed that the Special Events Department does not set aside any budgetary liabilities in the *Maaleh* program before the event is held. This has a number of ramifications:
 - There are invoices which are not paid in accordance with the terms of payment agreed with the suppliers because the appropriate amount was not set aside on time for covering the event (such as: invoice number 21145 of a security and guarding company, invoice number 614 of a tourism company, invoice number 25363 of a bus company.).
 - The budget officer of the Division cannot follow up and supervise the budgetary expenditures of the Department in real time but only post factum, after the events are produced.
 - Events are sometimes held even when there is a budgetary deviation and there is no alternative but to approve the payment to the supplier since the event has already taken place and the supplier has already supplied his services.

- ◆ There are instances where the Special Events Department produces events for the Friends Group. In such cases, the income from the event is entered in the Special Events Department even though it actually belongs to the Friends Group. Furthermore, when the event is subsidized the reckoning between the Friends Group and the Special Events Department takes place through the payment of various invoices of the Special Events Department.
- ◆ The audit found that, when some of the events are produced, the employees of the Department do not demand price estimates for the services purchased in accordance with the directives of the organization, according to which three written estimates are to be obtained. Some of the price estimates are obtained orally and some are even received post factum after the date of the event. Examples are:

Event No.	Event date	Type of service	Cost of service in NIS	Date of receipt of the price estimate	Comments
7262	30.6.07	Printing	508.00	25.4.07	There are no other estimates for this service.
7472	22.8.07	Printing	369.50	15.8.07	There are no other estimates for this service.
8176	31.1.08	Transportation	2,000.00	---	Oral agreement with no other estimates for this service.
7472	22.8.07	Hire of pop-corn machine	6,814.50	26.8.07	Oral agreement with no other estimates for this service.

Conclusions and recommendations:

- ◆ It is recommended that the existing procedure be updated so that it will reflect the pattern of activity of the Department (responsibility for undertaking the actual event, mode of follow-up and supervision over performance of the event, contractual arrangements with suppliers for the event, financial reckoning between the departments for production of an event and so on and so forth) and that it be distributed to the relevant parties.

- ◆ It is recommended that the characterization of the Friends system be looked into so that only the employee of the Special Events Department will be able to approve the expenditures in accordance with the invoices received, this being in order not to harm the follow-up and supervision process for the costs of events.

Response of the Division

The management of the Division will examine the possibility for approval of the expenditures in the Friends system by increasing amounts and defining those authorized to mark the expenditures accordingly.

- ◆ Care should be exercised to set aside a budgetary requirement in the *Maaleh* system before the start of the event in order to permit payment on time to the suppliers. Similarly, the events should be approved before they take place so as not to create a situation in which no budget remains for the costs of the event and events causing a budgetary deviation should not be approved post factum.

Response of the Division

The Division welcomes the audit recommendation. An appropriate directive on the subject will be defined.

- ◆ It is recommended that all the income and expenditure inherent in an event produced as part of a particular department be input in the budget of that department and that the event be managed in the *Maaleh* program. Similarly, it is recommended that no accounting be carried out between the departments with respect to the event which is not in accordance with the relevant budgetary line, this being so that a complete picture of the situation regarding management of the event will be obtainable as well as also proper supervision and follow-up on the activity of the departments.

Response of the Division

The Division welcomes the audit recommendation. An appropriate

directive will be defined and a budgetary transfer will be made by the budget officer with the approval of the director of the Division.

- ◆ Care should be taken to work with the suppliers and service providers in accordance with the procedures and policy of the organization and to demand all the relevant documents including obtaining a number of price estimates and documentation of the price estimates and the actual orders, this being in order to obviate irregularities and to prevent a deviation from agreements with the suppliers and so on.

Response of the Division

The audit comment is welcomed.

Subsidized events

The current events which are held throughout the year, mainly on Thursdays, Fridays, and Saturdays, are subsidized by the Events Department.

Following are the different types of events and the subsidy given for them, from January 2008 until August 12, 2008 (the data were taken from the Friends system, kept by the Events Department):

Type of event	Total expenditures	Total income	Total subsidy	Budgetary planning for the whole year
Free Friday	NIS 17,961	NIS 750	NIS 17,211	
Current events (not including Fridays)	NIS 147,197	NIS 81,617	NIS 65,580	NIS 220,000
Red South	NIS 90,120	NIS 1,053	NIS 89,067	
Independence Day	NIS 210,029	NIS 4,850	NIS 205,179	NIS 150,000
Tu Bishvat	NIS 137,281	NIS 23,932	NIS 113,349	NIS 80,000
Israel Path	NIS 121,954	NIS 90,955	NIS 30,999	NIS 40,000
Total	NIS 724,542	NIS 203,157	NIS 521,385	NIS 490,000

The Office of the Comptroller examined the various events and the subsidy given for them.

The audit findings were:

- ◆ There is no procedure which reflects the policy of the Division and which defines clear criteria for subsidization of various events. According to the policy of the Division, each event is examined on its merits and the director of the Events Department, sometimes together with the representative of the relevant district (in which the event is to take place) decides whether to subsidize it and by how much. In light of the above, it is possible that, at the beginning of the year when there is a budget, the subsidy is given more often and more generously and, toward the end of the year when the budget is reduced, the events cannot be subsidized as they were at the beginning of the year.

We note that, as of August 2008, there is a deviation of some NIS 31,000.

Conclusion and recommendation:

- ◆ It is recommended that a procedure be written which will specify clear and uniform criteria for subsidizing of events, this being in order to grant a subsidy for as many events as possible. Furthermore, the spread of the subsidized events over the year should be looked at and exceptional events which could constitute a burden on the budget should be taken into account, this being so as not to prejudice events and activities taking place towards the end of the budgetary year and deviating from the framework of the budget.

Response of the Division

The audit comment is correct, but, as of 2009, subsidized events will no longer take place but only free events.

It may be noted that the deviation of NIS 31,000 derives from the Independence Day event which was held upon the instructions of the KKL-JNF management which promised that a special budget would be found for it.

Budgetary events

In addition to the current events, the Events Department produces “budgetary events”. These events are not subsided by the Department. The lines of the budgetary event are calculated such that, at the end of the event, there might be a profit for the Department in favor of subsidizing the current events.

The Office of the Comptroller reviewed the budgetary events held in 2008 until July, the mode of their pricing and the collection of money with respect to them.

The audit findings were:

- ◆ The audit found that there is no procedure reflecting the pricing policy of the Events Department for budgetary events. The Events Department collects some profit with respect to the budgetary event it produced, at its discretion.
- ◆ The monies of the budgetary events are not collected before the event and, therefore, in many cases the Department has to invest time and resources in an attempt to collect the payment for the event which has already concluded (according to the Department's figures, there are debts from February 2008).
- ◆ The audit showed that there is no insistence on updating the anticipated / actual figures for income or expenditure in the Friends system. In view of the above, it is not possible to follow up on the financial costs of the event in real time since many of the figures are not input in the Friends system.
- ◆ The Special Events Department audits and supervises the management of the budgetary events which are produced by the districts. The supervision is based on checking the expenditure and income of each event. Despite the existence of the audit, there are budgetary events the mode of pricing of which is defective.

For example: in event number 8343 for the Bezeq Pensioners Association: the supplier charged the Department NIS 7,600 for two busses, double the price of the estimate of the supplier, at NIS 3,290 (without Value Added Tax).

- ◆ The audit found that there are instances where bodies for which the event was produced make one payment for a number of events. The staff of the Events Department input the income for one event and do not make a division among the other events for which the payment was received. In these cases, events will be shown at a loss.

For example: on May 14, 2008, payment of NIS 12,290 was received from the Bezeq Pensioners Association for two events: event number 8176 and event number 8343. This income was recorded in the Friends system only with respect to event number 8343 and the income of event number 8176 was not updated at all and the event has been left open with a loss.

Conclusions and recommendations:

- ◆ It is recommended that a procedure be written up which will dictate a uniform policy for pricing the profit with respect to the production of the budgetary events, this being in order for it to be possible to quantify all the events uniformly.

Response of the Division

The audit comment is welcomed.

- ◆ It is recommended that the payment for a budgetary event be collected prior to the event, even if by post-dated cheques, this being so that a situation will not be created where the budgetary event will be a losing event.

Response of the Division

The audit comment is welcomed.

- ◆ The total income and expenditure with respect to the budgetary events should be updated in real time in the Friends system so that, at any given time, it will be possible to follow up on the financial costs of the event.

Response of the Division

The audit comment is welcomed.

- ◆ Supervision and control should be carefully exercised with respect to the budgetary events by the representatives of the Division in the districts. The supervision should take place not only upon conclusion of the event but before the price estimate is sent to the customer. Similarly, the supervision and control should include a comparison between the price estimate for the customer and the actual charge by the supplier.

Response of the Division

Following the audit comment, the supplier issued a credit invoice for NIS 3,800 for event number 8343 which had been held for the Bezeq Pensioners.

- ◆ It is recommended that, for each event, the income and expenditure belonging only to that event be input in the Friends system. Where one payment is received for a number of events, it is recommended that it be split and ascribed to the separate events, this being so that it will be possible to calculate the profitability and viability of the event.

Response of the Division

The error in the entry was corrected and currently the income amount for each event appears with it.

7. Contractual Arrangements with Suppliers

The contractual arrangements with suppliers at KKL-JNF divide into arrangements with suppliers who have framework agreements based on a structured agreement with the supplier which applies to all the divisions at KKL-JNF, and arrangements with suppliers who do not have a framework agreement.

KKL-JNF has “contractual arrangement regulations” which specify the terms of the contractual arrangements, terms of payment and the various agreements vis-à-vis the suppliers. The regulations also determine those who are authorized to approve the contract amounts.

The Office of the Comptroller examined the process of contractual arrangements vis-à-vis suppliers, including activity according to the “contractual arrangement regulations” of KKL-JNF and the management of the arrangements vis-à-vis the suppliers in the information systems.

The audit findings were:

- ◆ The Budgets Division issued the contractual arrangement regulations which detail the contracting rules of the organization vis-à-vis suppliers. Some of the departments of the Division do not contract with suppliers according to the contractual arrangement regulations. For example: the departments do not check whether all the suppliers with whom they work are approved suppliers of KKL-JNF. There are differences of opinion between the various departments about the amounts and conditions which should be referred to the Exemptions Committee.
- ◆ The director of the Division has to approve every “procurement demand” in the *Maaleh* system which is issued by the departments of the Division. This approval is intended for the purpose of control and follow-up on the budgetary management of each department. In practice, some departments have a license for approval of a

procurement demand in the system without obtaining the approval of the director of the Division and without there being any control on his part. For example: the Publications Department.

- ◆ There are open procurement demands from previous years in the *Maaleh* system which have expired. These demands are open as the result of events which were cancelled, from the setting up of a new procurement demand for the same arrangement and so on. A budget is retained for open procurement demands and so they make proper budgetary management difficult and do not allow a proper presentation of the true budgetary situation in the departments.
- ◆ A new supplier is set up in the system by the Budgets Division. The staff of the different departments submit a request for a supplier to be set up. The request of the various departments is not checked and approved by the director of the relevant department before the supplier is set up in the system and the contractual arrangement implemented.
- ◆ Procurement orders for suppliers for some of the departments of the Division (such as: the Internet Department, the Projects Department, representatives of the Division in the Central District and others) are issued by the budget officer of the Division in the *Maaleh* financial software. Procurement orders are issued in accordance with the data provided by the departments without prior examination as to whether the data comply with KKL-JNF policy and the procedures of the organization as regards approval of the contractual arrangement.

Conclusions and recommendations:

- ◆ It is recommended that in-depth and comprehensive training be given for all the directors and staff of the Division as to how to make contractual arrangements with suppliers in accordance with the contractual arrangement regulations. Similarly, it is recommended that training be held on the subject of contractual arrangements with suppliers and their management through the *Maaleh* system in all its stages, this being so that every contractual arrangement with a supplier will be made in accordance with the instructions and policy of the organization.

Response of the Division

Following the audit comment, in-depth training was given for the directors and relevant staff with the participation of the KKL-JNF internal auditor.

- ◆ Care should be exercised not to give the passwords of the director of the Division to the other employees of the Division so that it will be possible to audit the contractual arrangement process and ascertain that it was properly implemented.

Response of the Division

Following the audit recommendation, the subject was dealt with. It is now not possible to make procurement demands in the system without an appropriate authorization.

- ◆ It is recommended that once per budgetary period, the Division should review all the open procurement demands and cancel the demands which are no longer relevant, with the approval of the director of the Division.

Response of the Division

Following the audit comment, the open procurement demands from 2007 were cancelled and the open procurement demands from 2008 are now being handled.

- ◆ It is recommended that the request to set up a new supplier be conveyed with the signature of the director of the department / Division confirming that the supplier was selected in accordance with the rules and policy of the organization.

Response of the Division

The audit comment is welcomed. The procedure for production of events will be updated accordingly.

- ◆ Prior to the issue of procurement demands, it should be clarified that the budget officer of the Division has checked the data which the different departments convey in accordance with the procedures of the organization and the contractual arrangement regulations of KKL-JNF. Alternatively, the staff of the departments should themselves undertake the opening of the procurement demands while the budget officer of the Division audit their activities and not carry them out for them.

Response of the Division

The audit comment is welcomed. An internal procedure will be issued accordingly.

8. Handling of Complaints and Referrals from the Public

The handling of complaints from the public is done through two central points:

Kav laYaar call center: telephone calls are received at the center which all the staff of the center can take while referrals via the internet are received from the e-yaroq site. These are received only at one computer terminal.

From the beginning of the year until August 6, 2008, 1,175 general clarifications were received. These clarifications include calls on various subjects, complaints, comments, reactions to activities and so on. There were also 565 specific clarifications – where the topic is ascribed to a particular department, division or supervisor.

Public call center: This call center is staffed by an employee who receives calls and complaints from the public (hereinafter: Calls Officer) through the internet site, to the personal email address of the employee, coming from the *Kav laYaar* call center and telephone calls.

In most cases, the Calls Officer gives a response, even if only partial, within forty-eight hours.

When complaints are received, they are forwarded for the attention of the office of the internal auditor of KKL-JNF. Those received from the media are referred for the handling of the Spokesperson's Department

The Office of the Comptroller reviewed the process of receiving calls / complaints at the *Kav laYaar* call center and at the public call center and also the mode of handling of the calls received.

The audit findings were:

- ◆ There are no written procedures specifying KKL-JNF policy on the following matters:
 - A procedure describing the stages for handling complaints received at the Division, including a maximum time for giving a response, conducting a follow-up on the handling of the calls, parties which are competent to respond to the calls received and so on.
 - The call center procedures are not written up in a uniform way for the writing of procedures and contain names rather than office-holders.

- Uniform instructions for the departments and staff of the Division, regarding the manner for coping with a call from outside parties such as: journalists, television reporters and the like.
- ◆ Frequently the handling of calls received at the *Kav laYaar* center is by referring them to another party in the organization for response or continued handling. It follows from the review of the Office of the Comptroller that, for most of the calls, there is no record as to how the event was finally handled and that it can be input in the system that the call was dealt with even if in practice nothing was done. Similarly, the very referral of the handling to another party does not ensure proper treatment for the complainant / caller.
- ◆ The audit found that it is not possible to produce reports from the system which will point to a particular direction in the calls from the public and about complaints with respect to a specific subject because of a lack of detail as to the nature of the calls received.
- ◆ There is no designated software for the public calls center the purpose of which is a follow-up on calls and complaints reaching the Calls Officer. The latter carries out a manual follow-up on calls received and the handling of them which is expressed in the filing of the calls received and retention of copies in the computer in personal files. In view of the above, the information regarding the handling of calls is not managed and does not permit statistical segmentation of the calls and complaints. The follow-up on the handling is incomplete and even makes it hard to trace a response that has already been given in the past.

Conclusions and recommendations:

- ◆ It is recommended that the mode of treatment of complaints and calls from the public, including the body responsible for the subject, be anchored in an orderly procedure.

The call center procedures should be written up clearly and in an orderly manner, without reference to the names of the employees but to their position and according to a fixed format of the Division or of KKL-JNF.

Similarly, it is recommended that clear criteria be set regarding KKL-JNF policy on calls from the public which will guide all the staff of the Division, including the field workers.

Response of the Division

In accordance with the control recommendation, work procedures at the public complaints call center will be set down.

- ◆ It is recommended that a record be kept as to how a call / complaint was ended so that it will be possible to follow up on the handling in a proper manner.

And the Friends system should be characterized in such a way that only one party at the call center shall be authorized to input the word “cancelled”, denoting that the subject was transferred for the handling of the appropriate body, this being only after completion of a mandatory field with respect to the mode and ending of the handling.

Response of the Division

Following the audit comment, a directive will be issued to Kav laYaar to forward all the calls reaching it to the public calls center so that the latter can direct them to the responsible bodies and follow up on the handling of them.

- ◆ It is recommended that the field specifying the nature of the call be filled in and that an additional field be characterized in the Friends system, completion of which will facilitate the definition of the nature of the call (as a sort of “heading” for the call) both to do a follow-up on the handling and so that, when the time comes, when cross-sectioning the different calls received at the center, it will be

possible to catalogue the calls in accordance with the need and nature of the required analysis.

Response of the Division

It is currently not possible to produce reports from the system regarding calls from the public because of technical reasons.

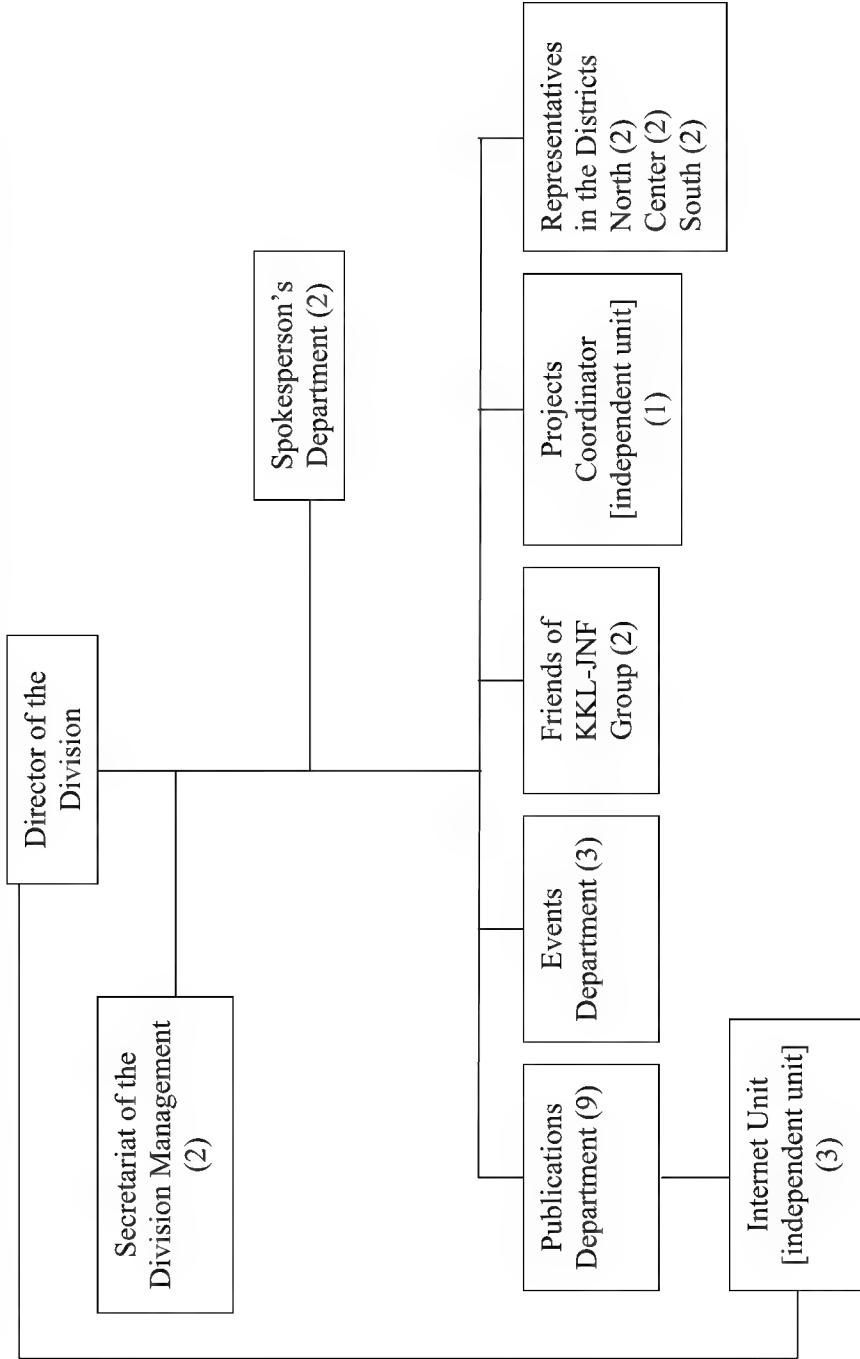
- ◆ It is recommended that designated software be installed for the Calls Officer for the management of the calls received and their documentation.

Response of the Division

A request has been submitted for designated software. The subject is being handled.

April 2009

Appendix – Organizational Structure of the Communications and Public Relations Division



**Summary and Recommendations of the
Zionist Executive Committee
for Response to the Comptroller's Report on
The Keren Kayemeth LeIsrael
Communications and Public Relations Division**

In a conversation with the Chairman of KKL, Mr. Efi Stenzler, the following is his response as submitted to the Office of the Comptroller on March 22, 2009 -

"I received with thanks and accepted all recommendations made by the Office of the Comptroller, which constitute an important tool for the Chairman of KKL, both in auditing the activities of the KKL Communications Division, and as a roadmap for continued streamlining and continuous improvement of the Division's activities.

It should be noted that the management and the employees of the Communications Division make all efforts to carry out the Division's tasks efficiently and to raise public awareness in Israel regarding KKL's activities and its contribution to the State and the wellbeing of its citizens.

However, adoption of the Office of the Comptroller's recommendations and the rectifying of improprieties, only serves to reinforce the Office of the Comptroller's welcome contribution to the organization's integrity and stable growth".

Jerusalem, February 2010

Keren Kayemeth LeIsrael

The Shaar Hagay Khan (Caravansary)

Keren Kayemeth LeIsrael

The Shaar Hagay Khan (Caravansary)

Background

The Shaar Hagay Caravansary was proclaimed, by government resolution, as a national site on August 31, 1982, about a century after its establishment at the initiative of the Ottoman Administration to serve as a road-side hostel for those going up to Jerusalem. In those days, the journey to Jerusalem took some 12 hours and was split over two days with an overnight at the Shaar Hagay Caravansary.

According to the above-mentioned government resolution, the responsibility for management of the site was accorded to the Nature and Parks Authority (hereinafter: the Authority). Because of budgetary difficulties, the Authority did not deal with development of the site.

Following contacts held between Keren Kayemeth LeIsrael-Jewish National Fund and the Authority, the former took upon itself to develop and operate the caravansary. According to the agreement signed between KKL-JNF and the Authority on June 6, 1999, for ten years, decisions about development plans and content for the site would be made in a joint steering committee.

Following are details of the development plan as formulated by the steering committee:

- a. **Site entrance** including parking areas and an entrance building with wash rooms and cafeteria.

- b. **Regional information point:** Preparation of the existing cave as an information point about hiking trails in the Rabin Park and the Judean Hills.
- c. **Preparation of an historical structure as a unique restaurant:** Preparation of the building to be a restaurant with operation of the tabun oven that had been used there in the past.
- d. **The caravansary building – “Judean Hills Hotel”, including the British NAAFI (canteen) building:** The story of the caravansary was to be told, in the building that was to be restored, through the stories of personages who visited there during the 19th Century. A presentation depicting the road up to Jerusalem via Shaar Hagay was to be offered on the ground floor, in the area that had been used by the British NAAFI.
- e. **The story of the battle over Jerusalem in the War of Independence:** The story of the battle over Jerusalem in 1948 is shown at various points throughout Rabin Park. A space was to be prepared at the Shaar Hagay site for an audio-visual presentation summarizing the story of the 1948 battle over Jerusalem for visitors to Rabin Park. A memorial corner for Yitzhak Rabin, who had commanded the Harel Brigade, was also to be dedicated in this space.

Budget and Implementation

We note that KKL-JNF made a start on restoration of the site even before the agreement with the Authority had been signed, before a solution had been found for the access road to the site, without an approved town building scheme and without Ministry of Health approval.

In June 1998, by which date NIS 1,300,000 had been invested, a contract was signed for the project management and an initial estimate was drawn up of the cost.

Stage A	
Completion of the inn building + the building for the wash rooms, cafeteria and restaurant, cave with information center, access and site development	Some 3,700,000
Investment to June 1998 for building stabilization stage	Some <u>1,300,000</u>
Total for Stage A implementation	Some 5,000,000
Stage B	
The caravansary building – museum, caves near the building and additional wash rooms	Some 2,000,000
Cost of the exhibit	Some <u>2,500,000</u>
Total for Stage B	Some <u>4,500,000</u>
Total for the two stages *	NIS 9,500,000

* The estimate does not include an access road and lighting.

At a meeting with the Co-Chairman of the KKL-JNF Board of Directors on December 13, 1999, some six months after the agreement with the Authority was signed, an overall budgetary framework was set for the project, according to an estimate of NIS 18 million.

In the minutes of a meeting of the KKL-JNF Management of February 16, 2000, it is stated that a budget of NIS 8 million for implementation over two years, out of the total program of NIS 18 million, had been approved at the meeting with the Co-Chairman of the KKL-JNF Board of Directors on December 13, 1999. This budget was for the site entrance arrangements, the upper building (the inn) and the exhibit in the cave. The Co-Chairman also noted that, when he served as Chairman of KKL-JNF, no NIS 18 million program for the Shaar Hagay Caravansary had been put to him.

We note that, as far as we could determine, the decision of the KKL-JNF Management of February 16, 2000, is the only decision passed in this forum regarding the Shaar Hagay Caravansary project. From then until August 2003, the **estimate** for the overall budgetary framework of the project grew from NIS 18 million to NIS 43 million (according to the minutes of a meeting held on August 10, 2003, in the presence of the Chairman of the KKL-JNF Board of Directors).

In May 2001, the project budget was re-examined and an updated budget in Sheqels was determined, to be spread over the years 2001 to 2003.

A. Entrance arrangements

Parking lots and electricity room	1,500,000
Public toilets and entrance building	700,000
Information cave	1,200,000
Plazas and scenic development	<u>600,000</u>
Total	4,000,000

B. Access roads and infrastructures

Access roads (50% of the cost)	2,000,000
Water, sewers, electricity, communications	<u>1,200,000</u>
Total	3,200,000

C. Lower building – visitors' center on "Pilgrimages to Jerusalem"

Stabilization of Building	2,500,000
Accompanying development	<u>500,000</u>
Total	3,000,000

D. Exhibits and museum elements

E. <u>Grand total</u>	15,400,000
VAT at 17%	<u>2,618,000</u>
TOTAL	18,018,000

The above budget does not relate to the following components:

- The restaurant building
- The 1948 campaign for Jerusalem
- Development components that are non-essential for development of the site.

The Exit from the Project

A district director in the KKL-JNF Central Region warned on June 3, 2003, that, in his opinion, there was no justification for a project on the scale planned since it was trapped between roads, access was problematic and there was competition with other sites in the vicinity, such as Latrun and Mini-Israel, construction and current maintenance costs were high.

On April 25, 2004, the Deputy Director of the Central Region instructed: "In view of the budgetary difficulties and the directive of the Director of the Land Development Authority, all the contractors with whom we have contracts should be stopped, no equipment or furniture should be created or placed at the site and the site should be vacated in an orderly fashion, in coordination with the director of the District.

The audit found that, even after the above instruction about halting the project, investment continued to be made in it and, on several occasions, its partial operation was considered. We note that, between 2005 and the date of our audit in 2008, some NIS 2 million further were invested in the site.

The KKL-JNF Board of Directors discussed the project at its August 3, 2004, meeting (four months after the decision to vacate the site). Following is a quotation from the minutes of the meeting:

- i. Restaurant – Without some point of attraction such as a restaurant, visitors will not come to the site. Some NIS 4.3 million are required to ready the restaurant building for operations.
- ii. Museum – The cost for completion of the information cave development is NIS 2.5 million, of which NIS 2.3 million have been budgeted.
- iii. Entrance road – Mention had originally been made of NIS 5 million but the assessment today is some NIS 12 million, **with the KKL-JNF share in the bridge and road being NIS 8 million.** We are clearly unable to invest such today. At present, there is no solution for entry to the caravansary site.
- iv. In terms of its natural location, the site does not constitute a point of attraction for going on hikes and, therefore, special environmental development will be necessary there to bring in the public and a restaurant is essential.
- v. There is so far no town building scheme to permit the planned uses.
- vi. An effort should be made to open the site (to the public) with minimum investment since much money has been invested, provided that there be at least eating facilities, an information center and a maintenance solution.

The KKL-JNF Management discussed the subject on September 28, 2004, and decided that “the site will not be opened in the coming five years. An amount of NIS 700,000 is approved for prior commitments which have to be completed vis-à-vis planners.”

At the same time, at a further meeting of the KKL-JNF Management some six months later, on March 14, 2005, the finding of a solution was discussed which would enable the operation of the project which had been frozen.

The audit found that during 2005 and 2006, the Mountain Area in the District was ready to remove the equipment and furniture from the site and seal off the buildings.

At the same time, at a discussion held on March 21, 2006, the Land Development Authority director stated: "It is worth taking a risk and trying to operate the site partially in a respectable manner." In the discussion summation, it was determined that a Project Management Company would be asked to submit a document presenting the various options and serving as a working paper for decision making at the KKL-JNF Management.

The conclusions of the Project Management Company, submitted in November 2006, were as follows:

- i. Some NIS 15 million have been invested in the site (*according to the figures collated by the Office of the Comptroller, some NIS 17 million had been invested*).
- ii. For full operation of the site, further investment of between NIS 15 million and NIS 20 million would be necessary. An entrepreneur should also be found who would invest some NIS 4-6 million to set up the restaurant and catering facilities.
- iii. The preparations for full operation of the site would take between 4 and 6 years.
- iv. There is a problem of accessibility to the site.

- v. "Site neglect" leads to its "deletion" from public awareness.
- vi. For provisional operation, KKL-JNF will invest NIS 1 million.

Following these conclusions, the KKL-JNF Management reiterated its decision to close the site on November 22, 2006, but to continue maintaining its facilities in a way that would preserve their working condition for when operations become possible.

In the Land Development Authority it was determined that the District will complete the actions for closure of the site by the end of 2007.

The Office of the Comptroller notes that, by the end of 2006 and at an expenditure of some NIS 17 million, the following work had been carried out at the site:

- a. Consolidation and partial restoration of the historical building destined to be a restaurant.
- b. Partial stabilization of the museum building.
- c. Creation of an information cave containing an audio-visual presentation and multi-media systems.
- d. Parking lot and dedicatory walls.

Summary

Implementation of the Shaar Hagay Caravansary project was started before any orderly process took place at KKL-JNF of decision-taking on the basis of an approved program, professional planning, allocation of a budget and also without the requisite statutory approvals.

Even after the Land Development Authority director instructed, in April 2004, that the work of the contractors be halted and that the site be vacated, further discussions were held in the KKL-JNF Management, the Board of Directors and professional forums at which the possibility of operating the site in various ways, was considered

The lack of an unequivocal decision regarding the status of the site and its continued development and maintenance cost KKL-JNF some NIS 2 million in the years 2005 – 2008, as noted above.

The Office of the Comptroller notes that we dealt in previous reports with the subject of implementation of projects at KKL-JNF before the requisite approvals were obtained: see the November 2003 Report on Reservoirs and also that of December 2006 on Roads and Land Reclamation Projects.

It would only be right for the KKL-JNF Management to give some thought to the results of the conduct with the Shaar Hagay Caravansary project and that conclusions be drawn with respect to project implementation in the future.

Response of the Land Development Authority director to the draft audit report: Infrastructure work was continued following closure of the site. Had this not been done, great damage could have been inflicted on existing infrastructures because of erosion and the penetration of water.

Response of the Chairmen of KKL-JNF Board of Directors:

The KKL-JNF Management has studied the conclusions of the report and, for a long time now there has been a different decision-taking procedure which greatly contributes to synchronization of the project execution system and the financial system and greater efficacy of the control over the implementation of projects. The KKL-JNF Management will continue with its efforts to make the preliminary discussion and the implementation of projects in the organization more efficient and improved.

In order to minimize losses and to obviate future damages, the KKL-JNF Management has decided to close the site at this stage and to store the equipment at a safe location. At the same time, in view of the importance of the site and the large amount of money invested in it, the KKL-JNF Management is considering finding suitable solutions for operation of the site. One of the problems has already been solved – the existing agreement with the Nature and Parks Authority has been extended for ten years. The main problem, however, that of secure access, has not yet been resolved in a practical way (budget).

Response of the former KKL-JNF Chairman: The project received much attention on the part of the Management in comparison with other projects. The project was discussed at meetings of the KKL-JNF Management and at meetings of the professional staff which took place either at my instigation or theirs for follow-up and interim decisions in accordance with the state of developments on site. The Public Works Department agreed to take upon itself the paving of the access road to the site which is, as is known, on the main road to Jerusalem. When it was learned that the Public Works Department had backed out on its undertaking and was refusing to implement the access road, the project was frozen.

June 2009

Keren Kayemeth LeIsrael
The Resources Development Division
Contribution Funded Projects

Keren Kayemeth LeIsrael
The Resources Development Division
Contribution Funded Projects

1. Introduction

1.1 In accordance with the work program of the Office of the Comptroller of the World Zionist Organization, we examined the subject of project implementation at Keren Kayemeth LeIsrael-Jewish National Fund (hereinafter: KKL), as marketed to donors through the Resource Development Division (hereinafter: the Division) which is responsible for raising funds for KKL.

The audit included examination of the work processes in the following areas:

- Project marketing
- Project implementation
- The cash flow within KKL (Treasury, Finance Division, districts, Fundraising Division) and proper documentation.

1.2 The audit was conducted at the offices of the Fundraising Division of KKL during the months of September – November 2009.

During the audit, meetings were held with the director of the Division, the treasurer of the Division, the controller of projects, the director of the Project Marketing Department, the director of the Finance Division as well as with other employees in the Division and in the Finance Division, to the extent we found necessary.

1.3 The goals of the audit were:

- a. A review of the processes and existing controls regarding the marketing and implementation of projects, including the financial aspect and the records in the books.
- b. Examination as to the existence of proper internal control procedures and a look at the extent of the efficacy of the current procedures and the processes.
- c. Locating weak points in the processes and in the control and making recommendations for improvements.

1.4 Main documents used for the audit:

- ◆ Procedures of the Division.
- ◆ Draft 2008 financial statements of KKL, the KKL budget and the budget of the Division.
- ◆ Figures regarding the current stock of projects and with respect to projects in the implementation stages.
- ◆ Financial data from the Division, reflecting the contributions raised for projects being implemented, segmentation of the contributions, costs expended and so on.
- ◆ Specific documents from the project files, such as: estimates, tenders, contracts, budgetary follow-up and so on.
- ◆ Bookkeeping figures in various cross-sections, including trial balances, cards and supporting documentation.
- ◆ Documents approving projects for marketing.
- ◆ Specific documents which were received on demand.

1.5 The audit methodology:

- ◆ Reading of the current procedures (as relevant to the subjects examined), reading of internal directives and examination vis-à-vis actual practice.
- ◆ Holding of meetings and conversations with the office-holders responsible for the activity in the fields examined and with additional employees, as we saw fit.
- ◆ Review of the information systems supporting the subjects examined, including cross-checking of data between the systems.
- ◆ Examination of the data in the designated computerized system the Division uses for management of the contributions and implementation of, and supervision over, the projects, including from the point of view of the suitability of the system to the requirements of the Division.
- ◆ Examination of the work interfaces between the Fundraising Division, the Land Development Authority which is in charge of project implementation and the KKL Finance Division.
- ◆ Examination of the project establishment process, the criteria for approval of project marketing and start of implementation.
- ◆ A review of the existing stock of projects for marketing at KKL, including suitability for current needs.
- ◆ Examination of project implementation by the districts, the controls exercised, including at the budgetary level, approval of alterations and response to the requirements of the donors.
- ◆ Visit to a number of projects on site, including projects in delivery stages.

- ◆ Examination of the flow of the funding from the overseas donor until receipt at the KKL treasury, including entries in the books, examination of the integrity of the system of reports between the Division, the Finance Division and the Land Development Authority.
- ◆ Management of project files, including suitable documentation of all the relevant material in the file and the updating of alterations introduced during implementation of the project.
- ◆ A sample examination of project files, including projects completed, projects being implemented and projects in marketing stages.
- ◆ Summary of the findings.
- ◆ Drawing up an audit report, including deduction of conclusions and the giving of recommendations.

2. General Background

Keren Kayemeth LeIsrael-Jewish National Fund was founded in 1901 by resolution of the Fifth Zionist Congress in Basle.

On November 23, 1953, the Keren Kayemeth LeIsrael Law, 5714 – 1953, was passed in the Knesset; it arranged, *inter alia*, the mechanism for turning KKL from a foreign company to a local company registered in Israel.

KKL is a company with a share capital of no face value. The members of the Zionist General Council constitute KKL's General Assembly.

On May 20, 1954, the Minister of Justice announced the approval of the Memorandum and Articles of KKL, in accordance with Section 3 of the Keren Kayemeth LeIsrael Law.

Twenty-seven objects are listed in the Articles. The first one is: "To purchase ... receive on lease or otherwise, lands ... in the prescribed district (... in any area within the jurisdiction of the Government of Israel) ... for the purpose of settling Jews on such lands and properties."

The objects of relevance for fundraising and project implementation are:

"To acquire ... establish, construct, pave, alter, repair ... roads, ways ... waterworks ... dams, cellars and shelters."

"To make donations ... and to provide means, conducive to any of the objects of Association ... to promote the interests of the Jews in the prescribed district."

The head offices and official institutions of KKL are located in Jerusalem, in the building of the National Institutions. Activity world wide is carried out through offices in different countries. The overseas offices are Jewish charitable associations with a connection to KKL. They were set up according to the laws of the different countries and operate as independent legal entities reporting to the local registrar of associations according to the requirements of the local law.

The Fundraising Division of Keren Kayemeth LeIsrael deals, *inter alia*, with the marketing of projects for contributions, fundraising in Israel and overseas in order to finance the projects, follow-up and control over implementation of the projects and their delivery.

The fundraising around the world is carried out by distinct legal entities, as stated, the Jewish National Fund (JNF) Associations, which mediate between the overseas donor and KKL. The main contributions come from abroad; in 2008, contributions of some NIS 135 million were raised, of which NIS 128 million were from abroad while the balance was raised in Israel.

Financial Data

Following is a **summary** of data from the KKL Statement of Profit and Loss, according to the draft 2008 financial statements:

Item	2008		2007	
	NIS thousands	Percentage of income	NIS thousands	Percentage of income
	845,292	87.0	797,626	84.6
Income from lands	104,927	10.8	124,663	13.2
Total income	971,943		942,432	
Costs of land development and forestry projects	350,405	36.0	443,342	47.0
Net income from activity	486,188	50.0	322,777	34.2
Management costs and retirees *	244,733	25.2	323,498	34.3
Net income from activity before financing cost	241,455	24.8	(721)	(0.1)
Financing income (expenditure)	(55,225)	(5.7)	41,064	4.4
Other expenditures **	163,237	16.8	36,495	3.9
Net income for the year	22,993	2.4	3,848	0.4

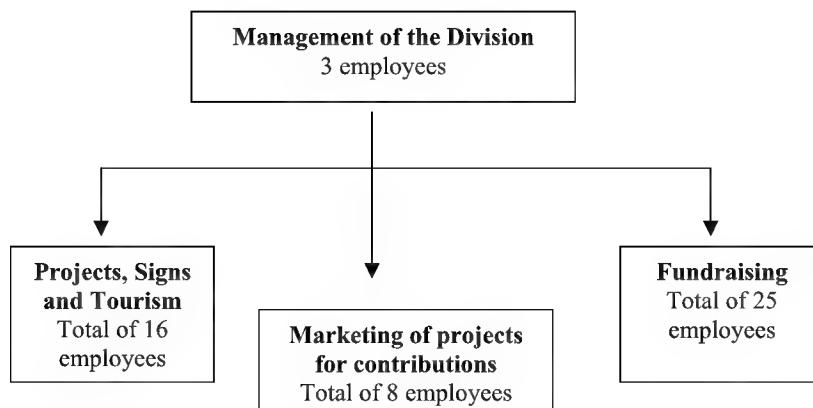
- * The 2008 figure includes a sum of some NIS 92 million for management and administration and some NIS 103 million for retirees. The 2007 figure includes a sum of some NIS 100 million for management and some NIS 172 million for retirees.
- ** The 2008 figure includes a sum of some NIS 150 million with respect to early retirement costs.

KKL Budget

In 2008, the KKL budget (including external financing partners) came to NIS 720 million. Of this, on the income side, NIS 135 million was budgeted in the contributions line, without distinction between earmarked contributions and “free” contributions. On the other hand, on the expenditures side, the Land Development Authority was budgeted at NIS 366 million, which amount was to contain the costs of implementing the projects for which contributions had been received, including monies donated in previous years of which use had not yet been made for the designated purpose for which they were received.

In 2009, a change was made in the structure of the budget. The total budget came to NIS 640 million, of which the total income from contributions was budgeted at NIS 85 million, divided into two lines: free contributions at NIS 45 million and earmarked contributions at NIS 40 million, not included in the current budget. On the expenditures side, the Land Development Authority was budgeted at some NIS 300 million, which amount contains the implementation of the projects for which monies had been received in previous years (initially some NIS 13 million were budgeted for this but, after a number of updates, the amount was set at some NIS 25 million). NIS 40 million was for contribution-dependent projects donated this year, an amount identical to the budgeting on the income side.

Organizational Structure of the Fundraising Division



The Division has 54 employees, not counting KKL *shlichim* overseas. The Fundraising Division is responsible for contacts with offices overseas and with donors and is made up of departments / desks in accordance with the mapping of the contributions arriving from throughout the world (English-speaking Department, Fundraising in Israel Department, Latin America Department, Europe Department, Liaison Section and Honor Books).

The Projects, Signs and Tourism Division handles funds from overseas and is responsible for the ongoing interface vis-à-vis the Finance Division and the Land Development Authority. This division contains a specific function for supervision of the projects on location – project controller, and it includes a signs department, a tourism department, the Plant-A-Tree-With-Your-Own-Hands department and a *shlichim* section. Also under the auspices of the Division is a marketing department for contribution-funded projects. This department also maintains ongoing contact with the Land Development Authority.

Information systems

Project marketing, fundraising and project implementation are carried out with the help of a number of information systems existing at KKL, as specified below:

- ERP system – a pan-organizational system of the ONE Company, comprising a logistic module and a financial module. This system operates at the responsibility of the KKL Finance Division.
- SPL system – an engineering system with the help of which the KKL districts manage project implementation. This system operates at the responsibility of the Land Development Authority.
- ALL UP system – an intra-organizational system of the Division which supports project management, project stock, project status and, when the project is donated and gets under way, the system supports the process of budgeting and follow-up on the implementation.
- PROJECT POOL system – a system for management of the projects data base, containing the information of relevance for each project. The system is in English and is also accessible for all those abroad through whom the projects are marketed world wide.

The audit findings:

- ◆ The new budgeting method initiated in 2009 is more correct for handling the current situation where the quantity of earmarked contributions is on the increase. Furthermore, this method has changed the structure of the KKL budget such that the 2009 budget embodies an inbuilt deficit of NIS 115 million to be paid out of cash surpluses accrued in previous years, or from actual income larger than the budgeted income.
- ◆ The budgeting method until 2008 did not take into account monies received as earmarked contributions in the past and the use of these monies was not properly budgeted. Consequently, a situation was created that, to the end of 2008, designated monies had been received to the extent of NIS 44.45 million but not used. With respect to these monies, there is a commitment to implement specific projects but they are not properly presented on the assets side in the audited KKL financial statements. Furthermore, this commitment was only partially budgeted in 2009 – initially at NIS 13 million and, after updates, it was budgeted at NIS 25 million. In other words, KKL receives monies from donors for implementation of a certain project, does not implement the project in the year when the money was received and is not planning to carry out the project in the ensuing year. Thus KKL intentionally holds donors' designated monies without realizing their designation for two years or more.
- ◆ Three main systems are used by KKL: the financial system, an engineering system for project management and a third system which the Division uses for carrying out follow-up. Apart from that, it is unclear to us why there is a need for three systems; there is no interface between them, the implementation data are fed in by different bodies in each of the systems; the reliability of the data in each of them cannot be ascertained and in practice a budgetary follow-up cannot be undertaken for each project.

- ◆ The Division's ALL UP system has a figure in the column "Budgetary utilization from the financial system". This figure should apparently present the total expenditures recorded in the financial system with respect to the project in question but, in fact, it presents the balance of the budget for implementation rather than the total of the expenditures. Thus, even when there is a figure which is conveyed by one system to another, it is misleading and not in use.
- ◆ The financial data in the ALL UP system is manually updated by the various desks. The level of data reliability (budgets, performances, estimates, contributions received, transfers) is not high and, therefore, those in the Division, including the project controller, do not rely on the system's data. It may also be noted that, the data with respect to projects which pre-exist the system, are apparently incorrect. The significance of this is that the system does not fulfill its purpose and actually creates superfluous work.

The audit recommendations:

- ◆ It is recommended to continue budgeting the income from contributions against expenses, separately outside the current budget, while taking into consideration the fact that the percent of designated giving out of the total contributions, is increasing. Similarly, a close budgetary follow-up is recommended, with updates of the budget by the appropriate forum during the year, in accordance with actual implementation.

Response of the audited body

The audit recommendation is accepted and will be adopted. There will no longer be a contributions "pool". A separate donor card will be opened for each project, with a separate pricing code for which a budget will be opened.

KKL has built a transfer budget this year, prior to closure of past debts.

- ◆ The balance of the commitment with respect to monies which came in from donors to December 31, 2008, the liability with respect to which has not yet been fulfilled, has to be budgeted in 2010.

Response of the audited body

Regarding contributions which arrived prior to December 31, 2008, and have not yet been carried out (because of various obstacles, primarily obtaining permits), the matter was partially sorted in the 2009 budget and fully so in the 2010 budget

- ◆ It is recommended that interfaces be set up between the computerized systems and that they be adjusted such that, whenever a certain datum is input, according to an orderly set of permits, that datum will flow automatically to the parallel system and there will be no possibility for inputting it again in another system.

Response of the audited body

The audit recommendation regarding system interfaces and adjustments is accepted. This will be carried out by the director of information systems who will be instructed in the matter by the Director-General.

- ◆ It is recommended that the ALL UP system contain the actual accrued implementation datum in each of the active projects so that it will be possible, *inter alia*, to conduct a budgetary follow-up.
- ◆ It is recommended that actions be taken to increase the standard of reliability of the data in the ALL UP system, so that it becomes effective and fulfills its purpose.

3. Fundraising

The fundraising unit in the Division comprises different departments / desks that handle different areas and groups in the world, amongst them being the English-speaking Department, the Fundraising in Israel Department, the Latin America Department and the Europe Department.

The main contributions (95 percent in 2008) come from overseas. The money arriving from abroad passes through an intermediary, as noted, the JNF associations. These latter raise funds for various bodies, amongst them KKL, which is in touch with them through KKL-employed *shlichim* who serve at the associations in various roles (sometimes even as director-general of the association or in some other senior position).

Contributions sometimes also come from other sources, such as: wills a person who has died left his capital to KKL in his will.

The monies reaching KKL are divided into four groups:

- i. Contributions for current activity** – contributions without a specific designation, coming from idealism to donate to KKL and to support its objects. The available contributions are used for the current activity of KKL, including overheads and management.
- ii. Contributions designated for investment repayment** – contributions for projects already carried out with KKL funding. These monies are designated for repayment to KKL of the investments in these projects.
- iii. Designated (contribution-dependent) contributions** – contributions which are designated for implementation of a specific project which has not yet been carried out. The project could be included in the existing stock of KKL projects or could be put together out of a personal wish of the donor.

iv. Other contributions The transfer of contributions via KKL to other bodies. In these cases, KKL serves as a conduit for the transfer of the funds only, after examining the recipient body and its compliance with the requirements of the law.

Most of the fundraising is carried out according to the stock of projects (investment repayment and contribution-dependent) which is based, *inter alia*, on the core program of KKL. Furthermore, contributions are raised without a specific designation or are according to specific requests of the donor.

The marketing of the project to the donor is done by the Project Marketing Department (see below), which conveys a “solicitation sheet” to the relevant desk containing all the information about the project. The desks maintain contact *vis-à-vis* the various overseas offices and they are in touch with the donor.

The trend in recent years shows an increasing share of earmarked contributions at the expense of the first two groups, with respect to which KKL has no commitment.

Following are financial data pointing to the change in the trend (in USD millions):

Year	Current activity		Investment repayment	Contribution -dependent	Other contributions	Total
	Available	Traditional *				
1-11/2009	1.67	5.10	1.75	17.50	1.40	27.40
2008	5.00	5.50	7.00	14.80	2.90	34.40
2007	5.50	11.20	4.60	11.00	2.30	34.60

* The reference is to contributions for the traditional activity of KKL mainly forestation, certificates of appreciation for donors, subscriptions in the Honor Books. This activity is current and the contribution is not designated.

This analysis points clearly to the change in the trend: a continuous decline in the rate of the “free” contributions from some 50 percent in 2007 to some 25 percent in 2009 with a sharp rise in the rate of earmarked contributions from some 32 percent in 2007 to some 64 percent in 2009 (double!). We were further told that this is the continuation of a trend from previous years and that the proportion of the earmarked contributions has grown continuously over the past decade.

For contributions received from an Israeli donor, it is usual for a contract to be signed with the donor. No contracts are signed for contributions received from abroad as KKL does not receive the money directly from the donor and cannot be a party to such an agreement.

The contributions are received through the overseas offices which are independent legal entities in each country and are subject to the currency laws and tax credits with respect to the contribution.

Ongoing contact with overseas donors is maintained by the JNF associations which are responsible for updating the donor about the implementation stages, obtaining the data from the Division on an ongoing basis, including sending of photographs from the site during the implementation. The extent of the involvement of the donor varies in accordance with the character of the donor; some remit the contribution for a designated project and are interested in being informed only upon its conclusion, while others want to be aware of all stages of the implementation, get specifically involved in the subject of costs and even visit the sites for which they have contributed.

Contact with the Israeli donor is more intensive. Because of the geographic proximity, the Israeli donor is usually more involved, the project location is within reach and he can “pop over to visit” many times.

The Division adapts to the wishes of the donor and does its utmost to please him.

The Office of the Comptroller looked at the classification of contributed funds for the various groups, including a distinction of the contribution category at the time of its receipt, entry and follow-up in the different computerized systems.

The audit findings:

- ◆ Contributions received at the bank are recorded according to the source countries, both in the books of KKL and in the internal records of the Division, which are kept in Excel files. In the ALL-UP system there is a record of the monies received for a specific project but the data in the system are not sufficiently reliable and cannot always be depended upon. For example: when examining the projects, we found errors in the entries in five cases out of 19 projects.
- ◆ There are cases of large-size contributions where the amount raised for the project is significantly higher than the project cost, such that the difference between the project cost and the contribution, the total amount of which was designated by the donor for the sake of the project, is attributed to available contributions. Following are two examples of differences of this sort:
 - Project 4795 (Ein Poriya): the total contribution is NIS 1.625 million, of which a sum of NIS 500,000 was expended and the project concluded.
 - Project 7253 (Switzerland Forest water and arches): the total contribution is NIS 1.606 million, of which a sum of NIS 512,000 was expended and the project concluded.
- ◆ Some of the contributions received from donors contain a component with respect to maintenance costs for the project site in the years following its completion. In these cases, the donor is asked for an amount including an overhead at the rate of 25 percent (usually the amount is greater see below). Nevertheless, no

maintenance work is carried out on these projects and the money received for the maintenance is “swallowed up” within the cash balances of KKL and, furthermore, no record exists in the Division or elsewhere of the monies received in the past for maintenance which have not yet been utilized. Today, therefore, even if there were any readiness to put these monies to their designated use, such could not be done in full. Following are two examples:

- Project 7032 (crane (bird) observation point): The total contribution is NIS 392,000 of which NIS 64,000 were expended for the project while the balance is supposed to be used for maintenance.
- Project 5786 (Biriya Forest): The total contribution is NIS 1.456 million of which NIS 896,000 were expended for the project while the balance is supposed to be used for maintenance.
- ◆ There is no written procedure detailing the process of fundraising, receipt of the money, designation of the money (including the subject of maintenance – see below), recording and follow-up with the various bodies at KKL that the contribution has indeed been correctly ascribed, both to the contribution line and to a specific project.
- ◆ There are no clear criteria for determining the rate of the overheads required from the donor in order to cover the overall cost of the project. In most cases, the overhead rate embodied in the amount of the requested contribution is 19 percent (10 percent for management overhead and 10 percent of the balance for implementation overhead, for example: work foremen). The overhead rate frequently drops to zero to please the donor and sometimes it is higher, for no apparent reason. There is no permanent procedure for estimating the percentage of the overheads the donor is charged such that there is no control over the amount of the requested contribution as against the project being offered to the donor.

Conclusions and recommendations:

- ◆ The amounts of earmarked contributions received should be carefully recorded in the KKL books and in the parallel systems, **by project**, such that each project will have an income side and an expenditure side. It will thus be possible to carry out a budgetary follow-up through the financial system rather than through external, manually-kept records, the level of whose reliability is not high.
- ◆ It is recommended that a procedure be set as to how to act in cases where the contribution received is significantly larger than the estimated project cost, including asking the donor for instructions as to what to do with the balance or to ascribe the balance to a maintenance line.
- ◆ It is recommended that exact records be kept of monies received for implementation of maintenance work. This should be done in stages so that, first of all, the distinction should be made with respect to monies received for new projects (if a maintenance component is contained in them), via projects from recent years and trying to go back as far as possible. After the amount earmarked for maintenance is set, the designation should also be made in the KKL books and budgeted accordingly.
- ◆ It is recommended that a procedure be written up dealing with the whole fundraising process, including reference to the following aspects:
 - Receipt of the money and recording of the thereof.
 - Appropriate designation of the money.
 - Proper entry in the KKL books.

Response of the audited body

The audit recommendations are accepted.

1. In the KKL books and parallel systems, the amounts of earmarked contributions received will be shown by project.
2. A procedure will be determined for cases where the contribution received is significantly larger than the estimated project cost, with the matter being arranged in advance with the donor.
3. A solution will be found in the form of a designated budget for implementation of maintenance work.
4. A procedure will be determined to deal with the whole fundraising process: receipt of the contribution, its being recorded, appropriate designation for the contribution, entry in the KKL books.

- ◆ It is recommended that clear criteria be set for the rates of overhead to be collected from the donors for project implementation, what that accepted overhead rate is (based on pricing levels), when a deviation from it is possible, for what reason and who has the authority to approve this.

4. Marketing of Projects for Contributions

The department which is responsible for project marketing is the Projects for Contribution Department (hereinafter: the Marketing Department) which has eight employees.

A project is initiated by a number of possible sources:

- Proposals of the KKL districts, who know the needs and convey them on to the management.
- An initiative of the donor himself.

- The KKL management initiates, following a referral from a governmental body or for some other reason.
- Proposal or a resolution of the Government.
- Requests from the heads of local councils and municipalities.

The project fields are set according to the core subjects of KKL which are mainly in the following areas:

1. Water (establishment and betterment of reservoirs).
2. Ecology (for example, restoration of a forest after a fire and the restoration of rivers).
3. Tourism (promenades, memorial sites and observation points).
4. Education (children's activities at educational centers, playgrounds, sports grounds).
5. Forestry.
6. Settlement (land reclamation for settlements, road building, agriculture).
7. Environment (paths, parking lots).
8. Research and development.
9. Urban parks.
10. Security roads.

With the approval of the basic project concept by the KKL management, the next stage is detailed planning of the project, including cost estimates, down to the smallest detail. Subsequently, a decision is taken

in principle as to whether the implementation is to be internal – by KKL workers, external – by tender or a combination of both, depending on the type of project.

Following approval of the plans and the estimate, an identity certificate is created for the project, comprising basic particulars about the project, amongst which are:

A project number, the project name, initiator, responsible party, area of the project, general description, location of the project, ownership status, planning and permits status, estimate of establishment costs, responsibility for maintenance and an annual estimate of costs and other particulars.

The identity certificates are conveyed to the KKL management which makes a decision as to whether to approve the project for marketing (sometimes with pre-conditions) or to reject the suggestion. The approval of the management contains a definition of the project as “contribution dependent”.

It may be noted that, with projects defined as “contribution dependent”, implementation of the project commences after obtaining management approval and only thereafter is a start made with marketing it.

After the final approval of the management is received for the publication of the project for marketing and after the size of the requisite contribution for funding the project is set (by the Projects, Signs and Tourism Division, as per the estimate), the Marketing Department deals with setting a project number in the system and production of a “solicitation sheet” containing all the pertinent information with respect to the project in question. The project and the solicitation sheet are uploaded to the English-language website, which can be accessed by the Marketing Department, the desks in the Fundraising Division, *shlichim*, and JNF associations around the world, with a sweeping caveat to the effect that the project is not to be marketed to donors prior to receipt of

an official and updated confirmation from the Marketing Department that the project can be implemented.

The uploaded solicitation sheet can be altered to adapt it for marketing in the different countries.

The Marketing Department is responsible for maintaining the marketing system and updating the facts and figures from time to time. Sometimes in-depth research has to be carried out at donors' requests.

The system currently has 265 projects on offer, of which 200 are investment-returns while some 65 are contribution-dependent.

The number of projects donated in recent years is as follows:

Year	Contribution-dependent	% of total	Investment-return	% of total
2007	93	70	41	30
2008	84	83	17	17
1-10/2009	74	87	11	13

These figures also point to the clear growth trend of contribution-dependent projects.

The Office of the Comptroller examined the process of project marketing in general, including from the following points of view: compatibility with the needs of KKL, cross-checks between the project data in the different systems, a look at the relevance of projects defined as available for contributions and existing statuses in the system.

The audit findings:

- ◆ The number of projects available for marketing in the English language marketing system is some 265, of which only 65 projects are defined as contribution-dependent. This stock is very low in relation to the demand since, in 2007 and 2008, 93 and 84 contribution-dependent projects were marketed, respectively, such

that the present stock is inadequate for even one year. It is very possible that the low stock level has prejudiced fundraising in recent years since the offers to donors were insufficient. It may be further noted that the number of investment-return projects is some 200 although in the years in question only 41 and 17 such projects were marketed, respectively.

- ◆ The number given to a project by the bookkeeping department and the Land Development Authority differs from the number given to it by the Division, which makes a proper work interface between the systems in general, and between the staff of the Finance Division and of the Division in particular, difficult.
- ◆ The audit found that some projects are marketed to donors without a building permit. In the worst case, many funds are utilized and the project becomes “stuck” while, in the least bad case, many resources are wasted to find an alternative solution. For example: project number 8212 (Chalcolithic promenade – Nachal Beersheba Park) was marketed to a donor and, after the contribution was received, it turned that implementation could not be initiated pending the obtaining of building permits. As a solution, another project was marketed to the donor for the contribution that had been received. It may be noted that similar problems were found in six of the 20 projects sampled.
- ◆ In order to obviate a situation where a project is marketed without permits, is contributed for but not executed, a method has been determined as of January 2009, whereby an identity certificate is produced for a project comprising all the particulars necessary for its implementation, including the planning and permits statutes. Of the hundreds of projects in the system (not necessarily available for contributions), so far only about 100 identity certificates have been prepared. Of these, management has considered 55 certificates, 35 of which were approved while 20 were not approved. It may further be noted that, with respect to the 35 projects which were approved, there are many with significant stipulations such that, in practice, the

number of projects available for immediate marketing with an approved identity certificate is very small.

- ◆ Since the beginning of 2009, 55 projects have come for consideration before the KKL management and 40 further projects are currently awaiting approval. In our opinion, the process of approval is slow and not synchronized against the on-site needs for the purpose of a requisite stock of projects. One of the reasons for the convoluted process is the directive that the forum which approves projects shall be an executive forum comprising the KKL Director-General and other senior staff. By the nature of matters, the availability of this forum is low, thereby creating a bottle-neck in the projects pipeline so that it takes long months from the moment a project enters the pipeline until a decision is made.
- ◆ The forum which approves projects does not include the district directors nor other senior staff from the districts who are actually responsible for implementation of the project. It is the district which determines whether a project will be implemented or not. Its representatives could raise points from an operational point of view which the Executive does not consider and, therefore, their presence would have a decisive significance.
- ◆ Some of the projects are approved with stipulations, as a sine qua non for marketing of the project. KKL has no body in charge of implementing the provisions determined in the stipulations, follow-up and confirmation of compliance with the stipulations and receipt of a final approval for marketing of the project. In our opinion, this situation results in projects being pushed aside, prevents progress and preparation for outside marketing.
- ◆ The solicitation sheets which are fed in to the open system for various parties worldwide are edited in a Word file in English. Users overseas have the possibility of changing certain particulars in the solicitation sheets to market them correctly from their point of view but this is not supervised by the Marketing Department or any

other body at KKL and there is no control over the changes made in the sheets.

- ◆ The systems used by the Marketing Department, in Hebrew and English, do not permit the production of reports and cross-sections which the Department needs. Thus, for example, there is no synchronization between the Hebrew and English systems (some projects appear in the Hebrew system as available for contribution but not in the English system), the Hebrew system does not distinguish between a contribution-dependent project and an investment-return project, the system cannot supply information about projects in the pipeline at different approval stages, nor whether there is an identity certificate and so on.

Conclusions and recommendations:

- ◆ The preparation is recommended of a multi-year program for significantly increasing marketable project stocks with the aim being that the quantity of contribution-dependent projects should be at least three times that of the projects for which contributions were received the previous year.

Response of the audited body

The audit recommendation is adopted.

A start was made this year on a process the purpose of which is to complete implementation of some 150 projects which were at different stages.

It may be noted that it is unrealistic to create a large stock of projects. A reasonable stock should be created to avoid a high expectation level followed by disappointment of the project recipients. The intention is to achieve a stock of up to 220 available projects, divided into projects initiated by us and projects arising from donors' initiatives.

- ◆ It is recommended that the projects be numbered in a uniform way by the Division, the Land Development Authority and the bookkeeping department or, at least, that an automatic interface be set up between the systems which will identify the different numberings for the same project.

Response of the audited body

Project numbering will be coordinated in the computerized project software.

- ◆ Insistence is recommended on not marketing projects for which there is a problem with permits. A field should be added in the system relating to the state of the permits for each project and it should also be possible to make general queries on this matter.
- ◆ It is recommended that the preparation of the identity certificates be speeded up as far as possible, with their approval so that the identity certificate preparation procedure can be activated. In the first stage, it is recommended that the identity certificates for the contribution-dependent projects appearing in the English system as being available be approved as soon as possible.

Response of the audited body

We have renewed the work of the projects committee which meets once every two weeks. Since the start of its activity, some 50 projects have been approved.

- ◆ It is recommended that discussions on the identity certificates be held in a different, designated and more available forum which will also have representatives from the relevant district, in accordance with the geographical location of the projects being brought for approval. If the Executive is interested in discussing certain projects, it is recommended that a representative of the district be invited to the forum.

Response of the audited body

Currently, the forum which approves the project in the projects committee includes the directors of the districts and their representatives.

- ◆ It is recommended that a current, written follow-up be performed on projects approved for marketing with stipulations and it be ascertained that they not be offered for marketing until the stipulations are upheld.

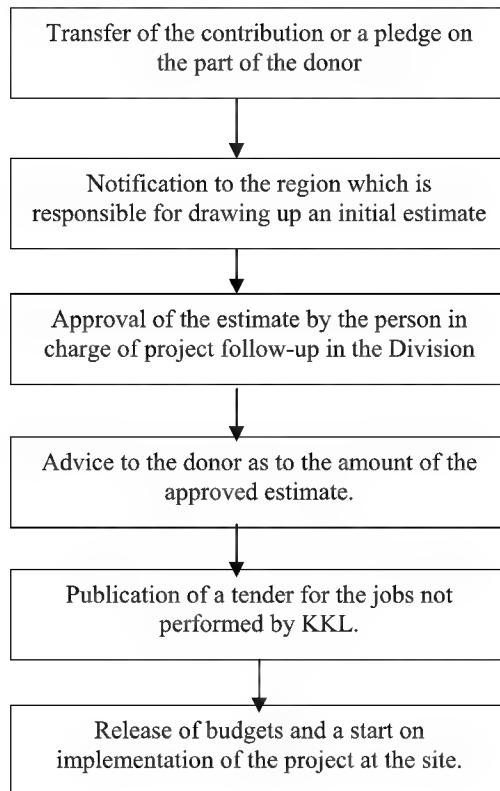
Response of the audited body

In the new organizational structure, the establishment of a follow-up, tenders and planning unit is proposed which will carry out the requisite follow-up with all the units.

- ◆ It is recommended not to allow making changes in the solicitation sheets uploaded to the system. If essential, a way should be found to carry out a follow-up on the changes made in the solicitation sheets by bodies overseas with a warning when a change is not proper from the point of view of the Marketing Department.
- ◆ It is recommended that reconciliations be made in the computerized systems used by the Marketing Department so that reports can be produced for the use of the Department, such as: comparison between projects appearing in one system against those in the other system, division between contribution-dependent projects and investment-return projects, the matter of the identity certificate and so on.

5. Project Implementation

A project is launched after it has been marketed to a donor and after performance of the following stages:



Release of the budget is an action in the computerized system which is undertaken in parallel by the director of the Projects, Signs and Tourism Division and by the Land Development Authority. Expenditures can be incurred only after there is a budget for the specific project in the system. Release of the budget is usually done in stages, in accordance with the progress of the implementation.

Implementation of the project is conveyed for the attention of the relevant district, according to the geographical location of the project. The actual work is carried out through external contractors (selected in a tender conducted at the responsibility of the district), through KKL staff (including KKL-owned machinery) or a combination of the two, depending on the nature of the project and the previously-approved estimate.

Control

As stated, there is an office-holder in the Division who is in charge of carrying out follow-up and control of projects (hereinafter: Project Controller). In the first stage, the Project Controller is involved in the process of approving the estimate and he subsequently follows up on the implementation stages of the project on site, while taking the following actions: checking the match between the expenditures and the approved estimate, the detailed planning and the approved budget, existence of a current report from the director of the district or his deputy and also checking implementation on site. The Project Controller visits the site at least once during implementation of the project.

Documentation as to the state of the project and the control findings is made in the ALL UP system.

When work on the project is completed, the Project Controller is supposed to check the project implementation in accordance with the requirements of the donor and he is also present at hand-over time. Later, there is a dedication ceremony and a plaque.

The Office of the Comptroller looked at the project implementation processes, while taking the following actions:

- Sampling of 19 project files in the different districts.
- The time elapsed from receipt of the contribution until commencement of the project.

- **Visit to a number of project sites.**
- **Look at estimates and comparison of KKL prices with those of contractors.**
- **Implementation in accordance with the budgets.**
- **Support of the computerized systems and proper documentation.**
- **Checking documentation in the bookkeeping department.**

The audit findings:

- ◆ The Project Controller has no practical possibility for carrying out budgetary control over implementation of the project since he is unable to view, at any given time, the total amount actually expended for the project. It happens in practice more than once that only post factum is he aware of deviations in projects of substantive amounts. Following are two examples:
 - In two (small) promenade projects in Beersheba, the total budget was utilized but the gardening was not implemented. Its cost is some NIS 300,000 but it was not included in the estimate.
 - A bicycle and jogging path at Lehavim: the total budget was NIS 412,000 but NIS 481,000 was actually expended.
- ◆ The ALL UP system does not adequately support the current activity of follow-up on project implementation. Following are a number of examples.
 - Across the board control reports for all projects according to required cross-sections cannot be produced by the system.

- There is no possibility for production of a report of budget as against actual expenditure.
- The overhead percent does not feature in the system.
- The system does not warn when total expenditure incurred exceeds the budget.
- Translation of exchange rates is done manually, thereby exposing to errors (for example: project 8067).
- There is no place in the system to enter a pledge for a contribution but only of monies actually received. This is despite the fact that projects start out on the basis of an undertaking (seven out of 19 projects looked at).
- The system has no documentation of visits which the Project Controller makes to the site.
- A considerable portion of the solicitation activity and of the project implementation is not anchored in written and/or any procedures, for example:
 - Construction of a project budget.
 - Setting of the overhead percentage to be loaded on the project.
 - Criteria for implementation of the work by KKL itself.
 - A written agreement for joint funding of KKL with an outside body.
 - Method of follow-up on project implementation, including site visits and documentation during the control.
 - Approval of deviations in projects.

- Joint financing of projects by KKL and an outside body.
- Performance of a “redemption procedure” (where another body implements the project and KKL funds it).
- Project delivery procedure.
- ◆ Starting work on a project a long time after the fundraising and after actual receipt of the money is a routine matter. This practice created a crisis of trust with the JNF of America which is not ready to remit funds prior to actual implementation of the project but, instead, it sends a document of undertaking to ensure that KKL is beginning actual implementation of the work. A check of six files showed cases where the time gap between receipt of the contribution and the start of the project implementation is upwards of a year. In project 7058 (Metropolitan Park) the said time gap is some six years.
- ◆ Some projects take many years and their completion date is put off time and again for no reasonable cause. For example: project number 7987 (Nachal Beersheba Promenade) was to have been completed in November 2008 but was finally handed over (apart from repairs which have yet to be made) only in November 2009.
- ◆ Upon visiting the sites of a number of projects, we found defects in the project implementation and the timetables, for example:
 - A play ground at Shomriya: we came to the handing over ceremony but it did not take place in the end because of the absence of representatives of the district. Likewise, apparent security defects were observed in the play elements and there is a delay in the timetable.
 - Environmental development and play area at Shomriya: the area was abandoned because of a dispute with the contractor stemming from overspending of hundreds of thousands of Sheqels on the

project's implementation. The project should have been completed but many items are still missing.

- Beit Eshel: A number of laborers at the site are not working and there is some heavy-duty equipment which is not moving. The work foreman was not found at the site. The budget and the timetable have been exceeded.

Response of the audited body

A defects report has been issued in the Fundraising Division and is being submitted to the director of the Land Development Authority and to the Director-General.

- ◆ The Shaar Hagai Khan project was halted prior to its completion, after some NIS 18 million had been invested in it. See the audit summary of the Comptroller of the World Zionist Organization, dated November 2, 2009.
- ◆ The act of releasing budgets is undertaken in parallel by the Land Development Authority and by the director of the Projects, Signs and Tourism Division, as an addition tool for supervision. In practice, there is no clear connection between the release of the budgets and actual implementation of the project such that it not infrequently happens that, towards the end of the year, budgets that were excessively released in some projects are returned, cumulatively to the tune of millions of Sheqels. The significance of this is that in practice this control tool is not applied.

Response of the audited body

The new work procedure, according to which a card will be opened for each project, will give a true picture of the situation as to the state of the project vis-à-vis the release of the budget.

- ◆ The project is to be handed over, *inter alia*, so as to ascertain that the project was carried out in accordance with the agreements with the

donor. In practice, there would seem to be no handing over in the Southern District. The Project Controller receives confirmations as to completion of the project, without it being handed over, and it was found that actually the project had not yet been completed in accordance with the requirements. For example: on January 13, 2009, it was reported that a jogging path at Lehavim had been completed and handed over, together with one picture which is not clear, while the actual check at the site found that the project was far from completion.

Response of the audited body

Following the draft report, the matter was dealt with and currently there is an orderly handing over of every project by the District to the Fundraising Division. There is also an accounting hand-over of the Fundraising and Economics Division to the Fundraising Division and the District.

- ◆ Where some of the work is undertaken by the District (internal work), the accounts are submitted by the District to the bookkeeping department after having been approved by the District itself, without audit by an objective party.
- ◆ Examination of the documents shows that the cost of jobs undertaken by KKL was significantly higher than outside implementation. Thus, for example: For the Tifrach reservoir project, it was agreed that the earthworks should be carried out by KKL at a cost of NIS 9.50 per cubic meter, totaling NIS 8.7 million, while in the account of the contractor Abu Elqiaan Ali, who did the earthworks for the Anot reservoir, the cost per cubic meter was only NIS 6.40 (a difference of 33 percent, the meaning of which is a saving of some NIS 2.8 million). A further example is: The cost of a JCB tractor hour charged by the same contractor was NIS 102.50, while according to the KKL price-list the cost per hour of work for all types of heavy machinery varies between NIS 180 (for a wheel shovel) to NIS 440 (for a D-9).

- ◆ According to KKL pricing, the hourly cost for a field worker in 2009 was NIS 62.30. A day's work for a laborer, including travel time from his home to the work site, is usually calculated according to 10 work hours, such that KKL charges the project for a day's work of a laborer some NIS 600. This cost seems high and unreasonable. It may further be noted that costs for other laborers at KKL (temporary workers), is less, varying between NIS 26 and NIS 42 per hour but nonetheless the projects are debited at NIS 600 per day of work across the board.

Response of the audited body

The Land Development Authority will re-examine the subject of project pricing, including entering the charge of the projects with respect to internally-done jobs.

Likewise, a deviations report will be made of project costs, which will be sent to the Finance Division.

- ◆ The project files are disorganized such that some of the documents appear physically in the file, others are filed on magnetic media and some are dispersed at different locations. Failure to bring the documents together in one file makes it difficult to conduct any control at a proper level.

Conclusions and recommendations:

- ◆ Invoices and internal charges should be input on time in the financial system, a field should be defined for the project budget in the financial system and the budget data should be updated for every project. Fixed dates should be set for budget vis-à-vis actual expenditure reports to be produced for the Project Controller so that close budgetary supervision can be maintained.

Response of the audited body

The audit recommendation is accepted. The subject will be looked into by the Director-General.

- ◆ It is recommended that the ALL UP system be upgraded and that all the requirements of the Division be characterized so that the optimum can be extracted from it.
- ◆ It is recommended that a set of written procedures be drawn up to handle all stages of the project, including control and follow-up, handing over of the project and so on, while referring to the points raised above.
- ◆ It is recommended that donors' money not be accepted for contribution-dependent projects before certainty exists as to the ability to execute the project.
- ◆ It is recommended that, after every site visit, a report be issued of defects found during the visit, that the report be conveyed to the pertinent bodies and rectification of the defects be followed up.
- ◆ It is recommended that a budget be released as an advance payment upon initiation of the project, according to a reasonable prognosis and that, subsequently, budgets be released according to actual implementation and subject to current budgetary follow-up.
- ◆ There should be an orderly hand over procedure in all the districts, with a review of all the lines of the estimate and examination of the implementation at the site, including the signing by all involved bodies of the hand-over minutes.
- ◆ There should be a proper separation of functions with approval of the accounts and, in cases of internal work carried out by a certain KKL district, the accounts should be transferred for approval of a body outside the relevant district.

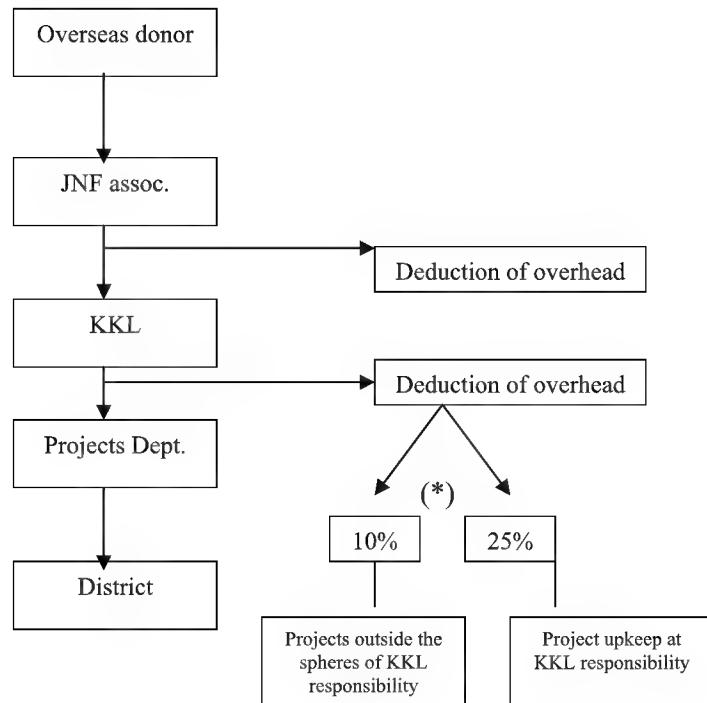
- ◆ It is recommended that KKL prices be checked as against those given by other contractors so as to try to reduce costs as much as possible.
- ◆ Reconsideration should be given to the matter of debiting projects for labor costs of the workers.
- ◆ Each project should have a (physical or electronic) file that will contain all the relevant documents, arranged with dividers, in accordance with the substantive subjects.

6. Cash Flow and Entries in the Books

Monies are received in bank transfers to the bank accounts of KKL in Israel. The donors from overseas, who make the main contributions, remit the funds to the JNF associations which deduct an overhead at the rate (usually) of 20 percent, send an electronic notification to KKL regarding the amounts of money that should be received and their designation.

The solicitations division in the Fundraising Division receives a notification as to the amount of money that is en route and this is updated in the ALL UP system. At this stage, continuous control is exercised over the monies that are to come in, with daily warnings of the system which end after an update as to arrival of the actual transfer.

Following is the cash flow route (for contributions from abroad):



(*) There are, as noted, two stages at which overheads are deducted by KKL, the first a deduction of 10% - 20% (as shown above) for management overheads and the second at 10% for labor overheads

The monies arrive in the KKL account and the documentation regarding the monies is undertaken in the Fundraising Division.

The actual incurring of expenditures will be only subject to the release of budgets to the district in question. The suppliers' invoices and charges with respect to internal jobs are received and approved in the

district itself and input in the SPL system. Later on, the technical data of the invoices checked in the bookkeeping department, are input into the financial system and payment is made to the supplier.

The Office of the Comptroller looked at the process of transferring monies from the donors, reporting in the system and entries in the KKL books, including from bookkeeping points of view. Also examined was a sample of documents in the Finance Division to ascertain that the expenditures were correctly classified in the books.

The audit findings:

- ◆ Earmarked contributions are not deposited in a separate bank account, apart from those coming from Australia, because of a special agreement with them. In parallel, the income is not recorded as earmarked contributions but as current income by country of origin, such that one cannot know the quantity of earmarked contributions either in the balance sheet side or in the nominal side in the KKL books. This makes it difficult to conduct control over the use of the monies and, since the only entry is made manually by the Fundraising Division, there are frequent disputes as to the amount received as earmarked contributions and not yet utilized.
- ◆ The contribution funds are in general bank accounts of KKL, sometimes for a number of years pending their use but, despite this, no interest is credited in favor of the designated assets. Interest income is recorded in full in the KKL Statements of Profit and Loss, showing current activities.
- ◆ The notification received from the overseas associations with respect to monies to be received, including for specific projects, comes by electronic mail which can be altered without difficulty. Likewise, the notification does not go regularly to a specific party at KKL but is sometimes sent to some body in the Division and at other times it reaches the Finance Division.

- ◆ Input of the notification about money en route and confirmation of the receipt of the actual money are entered in the ALL UP system manually by a number of bodies, which risks errors. Upon examination of the files, clerical errors were found with the inputting of the data, double entries and also missing entries, in five of the 19 files examined. It may be noted that currently this system is the only one in which one may see in any orderly fashion the amount of the receipts for each project and inaccuracies in these data could prejudice the process of using the funds in accordance with their designation.
- ◆ The expenditure records in the bookkeeping department are kept according to rigid classifications in three lines which do not always match the make-up of the expenditures of the project, particularly of large projects. Thus, for example, in the Shaar Hagai Khan project, millions of Sheqels were invested in equipment and multimedia but the total amount expended on these items cannot be seen in the expenditures card.
- ◆ There is no synchronization in the bookkeeping department between the project budget and/or contributions received for it and the actual expenditures incurred for its implementation at any given point in time. Accordingly, there is a difficulty in collecting the information as to the financial state of each project, how much was donated towards it, what amount is still to arrive and what are the actual expenditures.
- ◆ The KKL staff who implement the projects in the field receive their salaries according to hours actually worked, the project budget is debited accordingly, even if the debit leads to overspending of the budget. There would not seem to be a "brake" to stop overspending of this sort or in general.

Response of the audited body

The director of the Land Development Authority has been instructed to carry out budgetary control for recording costs of field workers on the various projects and for forestry work, in accordance with the project being undertaken (control over work days of field workers and operators).

- ◆ A deviation from the budget caused as the result of entering an invoice or internal charge comes to light only at the stage of entering it in the bookkeeping department but not at the stage of the invoice reaching the district, being approved by it and being entered in the SPL system and, later, in the financial system. It would seem that KKL has not given sufficient attention to deviations from project budgets. No effort is made to stop them at a stage when such would have been possible until the deviation is a fait accompli, something which often forces the district to apply to the donor again.

Response of the audited body

The subject will be examined and a response will be forthcoming by the creation of a project card in which all the project data will be concentrated.

- ◆ The ALL UP system was set up some eight years ago and the reconstruction of the data with respect to projects donated previously is not reliable. The problem existed actually until 2004 such that in principle reconstruction of the amount of receipts for projects, the contributions for which started before 2004, is problematic and sometimes impossible.

Conclusions and recommendations:

- ♦ Monies from earmarked contributions must be deposited in a separate bank account. At the same time, on the nominal side, there should be a separate classification for contribution-dependent projects and the income for each such project should be credited to a separate account. A reconciliation should be made each month between the monies deposited in the separate bank account and the total income entered for all the designated projects. In other words, we are recommending that the practice with respect to contributions from Australia be applied to all the other contributions.

Response of the audited body

The recommendation is not accepted. Each project has a card containing all the information regarding the pledge for a contribution, even if this has not yet been received in Israel. In practice, KKL works on a cash basis, in accordance with the income notified by the Fundraising Division.

Audit comment

The correct and accepted method to differentiate between monies for current activity and earmarked funds is to separate them in a distinct bank account such that the proceeds will also be correctly classified. The complexity of KKL activity and the cash flow mode only constitute reinforcement for the opinion of the Office of the Comptroller. In practice, KKL applies this with respect to monies arriving from Australia and there is no reason not to do so with respect to other monies also.

- ♦ Income from interest with respect to earmarked contributions should be credited to the bank account accordingly.

- ◆ It is recommended that all bodies overseas be directed that all notifications regarding monies en route be sent to a fixed body in the Fundraising Division, in a format that cannot be altered (for example, a pdf file).
- ◆ It is recommended that further control be exercised over the input of contribution data received for the ALL UP system.
- ◆ Specific expenditure accounts should be opened for each project, in accordance with its nature. Existing expenditure lines can be used, to the extent relevant, and the number of lines can be expanded specifically for each project as necessary.
- ◆ Separate classification for each project should be set up on the nominal side in the KKL books, divided into two: income lines and expenditure lines. This is accepted in every body implementing a number of projects, certainly when the reference is to contribution-dependent projects.
- ◆ It is recommended that projects be charged for internal work costs on a current basis each and every month, with a follow-up being conducted on budgetary implementation in this line and advance warnings of possible overspending.
- ◆ Accounts should be input in the SPL system on an ongoing basis, to warn, already at this stage, of expected overspending rather than waiting for the invoice to reach the bookkeeping department.
- ◆ It is recommended that still-active projects started pre-2004 be mapped, checked and the income data entered in the system cross-checked and the problem resolved specifically for each project.

Summary of the response of the audited body

With the transition to a process of project approval through an orderly “project card” and the determination of directives for registration of the project, it would seem that the method will give a response for follow-up and control for most of the processes which the Office of the Comptroller noted in the Report. This matter was taken into account in the new organizational structure. At the beginning of 2010, the director of the Land Development Authority instructed the district directors to open a project card for every project, whether it has a budget or not, so that it will be possible, in a transparent and orderly way, to find it and deal with it accordingly.

From the moment the project card is opened in the district, the of budgetary control is the responsibility of the Finance Division and it will be the approving body.

The Director-General intends to hold a study day on the subject and to instruct all the parties involved accordingly.

May 2010

**Statutes of the Comptroller
and of the Control Office
The World Zionist Organization**

Statutes of the Comptroller and of the Control Office The World Zionist Organization

Adopted by the Zionist General Council at its Session in March 1963, in accordance with Resolution 95 passed by the Zionist General Council at its Session in May June, 1962, with reference to Section 60, paragraph 8 of the Constitution of the World Zionist Organization. Including the amendments in accordance with the Resolution passed by the Zionist General Council at its Sessions in January 1967, February 21, 1974, July 14, 1976, and June 29, 1986, and further amended as resolved by the Presidium of the Zionist General Council on June 11, 1991.¹

A. Definitions

In these Statutes:

The Constitution:	The Constitution of the World Zionist Organization as adopted by the Zionist General Council at its Session of December 1959 – January 1960 in accordance with the decision of the 24 th Congress, as amended.
The Congress:	The Zionist Congress.
The General Council:	The Zionist General Council.
The Presidium:	The Presidium of the Zionist General Council.
The Executive:	The Executive of the World Zionist Organization.
The National Funds:	Keren Hayesod – United Israel Appeal and the Jewish National Fund.
The Comptroller:	The Comptroller of the World Zionist Organization.

¹ The Zionist General Council authorized the Presidium, in June 1990, to amend the Statutes in line with Resolution 37 of ZGC of June 1989, and as may be necessary to clarify the procedures concerning the Comptroller's reports.

The Finance Committee:	The Standing Budget and Finance Committee elected by the Zionist General Council.
The Subcommittee for Control ²	A Subcommittee established by the Finance Committee to discuss and deal with the Comptroller's findings.
Controlled Body:	A body within the meaning of Section 10 of these Statutes.
Central Zionist Institution:	An institution within the meaning of Article 46 of the Constitution.

B. Status of the Comptroller and his Deputy

Election of the	1. The Comptroller shall be elected by the Congress for Comptroller the purpose of conducting the control in the World Zionist Organization (in accordance with Article 14 (e) of the Constitution).
Term of Office	2. The term of office of the Comptroller shall be from the day of his election until the end of the next regular Congress. Should the office of the Comptroller become vacant during the period between one Congress and the next, the General Council shall elect a new Comptroller, and in the meantime, the Deputy shall fulfill the duties of the Comptroller. If there is no Deputy Comptroller, the Presidium shall appoint an Acting Comptroller, but the Comptroller shall continue to serve until the Acting Comptroller assumes office.
Deputy Comptroller	3. (a) Should it be decided to establish such a post, the Deputy comptroller shall be elected by the Congress or the General Council, after hearing the opinion of the Comptroller. The Presidium may, in urgent cases, appoint a Deputy, such election being subject to the approval of the General Council at its next session. Details of the Deputy Comptroller's authority shall be determined by the body which elects him (in

² Amended by the Presidium Resolution of June 11, 1991.

accordance with Article 60, Section 3, of the Constitution).

(b) The tenure of office of the Deputy shall be from the day of his election until the end of the next regular Congress, or a shorter term to be decided upon by the body which elects him.

Vacancy of office 4. (a) The office of the Comptroller and his Deputy shall become vacant in any of the following circumstances:

- i. upon the expiration of his term of office;
- ii. upon his resignation;
- iii. upon his dismissal from office by a two-thirds majority vote of the General Council;
- iv. upon his death.

(b) The Comptroller may resign by tendering a letter of resignation to the Chairman of the General Council.

Independence of the Comptroller 5. The Comptroller shall not, in the fulfillment of his duties, be subservient to any body, and shall be responsible solely to the Congress and to the General Council (in accordance with Article 60, Section 6 of the Constitution).

Special Status 6. The Comptroller shall participate in an advisory capacity in the Congress, the General Council, and their committees, including the Finance Committee (in accordance with Article 32. Section 3 of the Constitution).

7. The status of the Comptroller shall be equal to that of a Member of the Executive, and his salary shall be in accordance with that status, and the status of the Deputy Comptroller shall be equal to the status of a Deputy Member of the Executive.

Restrictions 8. (a) Neither the Comptroller nor his Deputy shall serve on the executive of a controlled body; nor shall they hold any other paid office;

(b) Neither the Comptroller nor his Deputy shall during their period of office purchase, lease, or acquire by gift any movable or immovable property belonging to any controlled body, nor shall they receive from such bodies any concessions, grants, or favors, except for land or a loan for the purpose of settlement or housing.

(c) Neither the Comptroller nor his Deputy shall take up employment with a controlled body within three years of leaving office.

Secrecy

9. The Comptroller and his Deputy shall be bound to observe secrecy of all information, documents, or reports to which they have access in the course of their work.

C. Scope of Control

Controlled Bodies

10. The following are the bodies subject to control by the Comptroller:

(a) All departments, enterprises, and institutions of the World Zionist Organization, both in Israel and in the Diaspora.

(b) The National Funds and every other fund of the World Zionist Organization, including their departments, enterprises, and institutions, both in Israel and in the Diaspora.

(c) Every company, enterprise, fund or other body in whose capital or budget the World Zionist Organization and/or the National Funds, together or separately, participate to an extent of 50 percent or more, or in which they have at least 50 percent of the voting rights.

(d) Every company, enterprise, fund or other body in whose capital or budget the World Zionist Organization and/or the Funds mentioned in sub-section (b), together or separately, participate to

an extent of less than 50 percent, provided that the right of examination was a prior condition agreed upon with such bodies. The extent of such control shall be determined by agreement between the Executive and the Comptroller.

- (e) Every body subsidized by the World Zionist Organization, or other body, the examination of which is imposed upon the Comptroller by decision of the Congress, the General Council, the Finance Committee, or the Executive. The extent of such control shall be determined by agreement between the Executive and the Comptroller.

D. Functions of the Control

Details of Control

- 11. The Comptroller shall examine the administration of the controlled bodies, the condition and administration of their finances, their accounts, and their property, with respect to their legality, order, efficiency, economy, and integrity, and shall examine:
 - (a) Whether the controlled body functions in accordance with the Constitution and the directions of the Central Zionist Bodies;
 - (b) Whether the expenditure of the examined bodies was made within the scope of their budgets, as approved by the competent institutions, and for the purposes for which they were intended;
 - (c) Whether the procedures of the controlled body regarding receipts and payments is satisfactory;
 - (d) Whether the methods of safeguarding monies and property and the state of cash and supplies are satisfactory, and whether the accounts and balance sheets are accurate and prepared at the proper time;

<p>Investigating Complaints</p>	<ul style="list-style-type: none"> (e) Whether the controlled bodies operate economically and efficiently in all aspects of their work, while adhering to legal and moral principles; (f) Whether the auditing of accounts, if conducted by an auditor, is done at the proper time, and whether the controlled body complies with the auditor's directives.
	<p>12. The Comptroller shall investigate complaints submitted to him by the public against any body or person subject to his control, as set forth in Section 10 above.</p>

E. Control Procedure

<p>Submission of Budgets by Controlled Bodies</p>	<p>13. A controlled body shall be obligated to submit its detailed budget to the Comptroller immediately upon its approval by the competent institutions, to inform the Comptroller of any changes in the budget, and to submit to him all documents pertaining to it.</p>
<p>Submission of Statements and Balances by Controlled Bodies</p>	<p>14. (a) Every controlled body shall be obligated to submit to the Comptroller an interim report on its income and expenditures for each fiscal year no later than four months after the end of such year, and six months after the end of the year, but not later than nine months, a balance sheet showing assets and liabilities as at the end of the fiscal year.</p> <p>(b) Every controlled body shall submit to the Comptroller a report and opinion presented to it by an auditor and a copy of its remarks on such report or opinion.</p>
<p>Cooperation on the part of the Controlled Body</p>	<p>15. (a) The controlled body shall be obligated to render its full assistance to the Comptroller and to his staff in the performance of their tasks, and to allow them unlimited access to all books, files, accounts, documents, ledgers, card indices, and</p>

all other material belonging to the controlled body. The controlled body shall similarly be required to submit all information, documents, explanations, and other materials required by the Comptroller or his staff for the purposes of the examination.

(b) Any body or person against whom a complaint is investigated, as stated in Section 12 above, shall furnish the Comptroller, at his request, with all the sources of information noted above within a reasonable period of time or within a period of time determined by the Comptroller, according to the circumstances.

F. Results of the Examination

Submission of
Examination
Findings

16. (a) Should the examination reveal any shortcomings in the work or activities of any controlled body, the Comptroller shall inform the controlled body thereof in writing and require rectification of such shortcomings within a reasonable time.

(b) If the matter is intended for inclusion in a Report under Chapter G, the Comptroller shall present a summary of the examination to the head of the controlled body in order to receive explanations and clarifications regarding the findings of the examination, and if he should deem it necessary, he shall submit a copy thereof to the Chairman of the Executive or to the Treasurer, as appropriate.

The Comptroller may set a final date by which such explanations and comments are to be given.³

(c) If the examination reveals any deviation from or disregard of the directions of the competent institutions of the World Zionist Organization, or a breach of the law or of integrity on the part of a

³ Amended by the Presidium Resolution of June 11, 1991

<p>Results of Investigation of Complaints⁵</p>	<p>controlled body, the Comptroller shall bring his findings to the notice of the head of such controlled body for appropriate action and shall notify the Chairman of the Executive and the Legal Counsel.⁴</p> <p>(d) The Comptroller may submit a summary of the examination to a body controlled in accordance with Section 10 (e) in order to receive necessary explanations, with a copy to the body that requested the examination.</p> <p>17. (a) The Comptroller may inform a body or person subject to his control of the results of the investigation of a complaint which has been investigated by him, as laid down in Section 12, above, and he may add his opinion and/or recommendations regarding the steps which should, in his view, be taken to resolve the individual complaint and/or to rectify various shortcomings revealed in the course of the said investigation.</p> <p>(b) The Comptroller may at any time ask the said body or person to inform him of their position and of the steps which have been or will be taken in the matter which was the subject of the complaint. A controlled body shall answer the Comptroller within a reasonable period of time or within a period of time determined by the Comptroller, according to the circumstances.</p> <p>(c) At the conclusion and/or during the course of the investigation, the Comptroller shall furnish the complainant with a pertinent reply which shall, in the Comptroller's opinion, be an appropriate and satisfactory reply under the circumstances.</p>
---	---

⁴ Amended by the Presidium Resolution of June 11, 1991

⁵ Amended by a Resolution passed by the Zionist General Council at its Session on February 21, 1974.

G. Reports⁶

The Separate Reports 18. (a) Upon completion of an examination of a body subject to his control under section 10, of a specific subject, the Comptroller may submit a separate Report on the said body or subject. The Report shall be submitted to the Chairman of the Finance Committee, the Chairman of the Subcommittee for Control, the Chairman of the Executive, the Treasurer, and the Head of the Controlled body.

(b) The Chairman of the Executive shall make his comments on the Report and forward them to the Chairman of the Finance Committee and of the Subcommittee not later than two months from the receipt of the Report (Executive's Response).

(c) The Subcommittee for the Control or the Finance Committee shall discuss the Report within two months of the receipt of the Executive's Response. Should there be no Executive's Response within the period set in subsection b), the Committee may discuss the Report without a Response. Representatives of the Executive, as determined by the Committee, shall be invited to attend the Committee's meeting which is to deal with a Comptroller's Report.

(d) The Separate Reports, or their main points, as the Comptroller may decide, shall be included in the Comptroller's subsequent Annual Report to be prepared and submitted under Section 19.

(e) Upon completion of its discussion of a Separate Report, the Committee shall draw up its

⁶ This Chapter, which lays down the procedures for the submission, publication and handling of the Comptroller's Reports was amended by Resolution of the Zionist General Council on June 29, 1986, and further amended by Resolution of the Presidium of June 11, 1991.

summaries and conclusions, including its requests for correction of deficiencies, and shall communicate them to the Chairman of the Executive, to the Head of the Controlled body and to the Comptroller.

- (f) The Chairman of the Zionist General Council will receive a copy of each Separate Report, of the Executive's Response thereto and of the Committee's Conclusions.
- (g) If necessary, the Comptroller may make an interim report to the Finance Committee.

The Annual Report 19. The Comptroller shall prepare once a year an Annual Report. The timing of the Report shall be such that it be submitted to the Chairman of the Zionist General Council and its members one month before the Council's regular annual Session.

The Comptroller's Annual Report shall comprise:

- (a) A general summary of his activities and the activities of his Office during the year;
- (b) A list of the bodies and their main units controlled during the period of the report;
- (c) A list of the separate Reports submitted by the Comptroller according to Section 18.;
- (d) The separate Reports themselves or their main points as the Comptroller's may deem appropriate. If a Separate Report is included in the Annual Report, the Executive's Response shall also be appended. If the Separate Report had been discussed in the Committee, the Committee's conclusions shall be included in the Comptroller's Annual Report.
- (e) After consultation with the Chairman of the Sub-Committee or the Committee, the Comptroller may include in the Annual Report a separate Report not yet disposed of by the Committee, whereupon:

- (1) The Committee's Conclusions, once they are determined, shall be distributed to the members of the Zionist General Council.
- (2) In the following Annual Report these Conclusions shall be presented, along with a precis of the Report, and, if possible, with a brief follow up on the relevant points.
- (f) Concurrently with the submission of the Annual Report to members of the Zionist General Council, the Comptroller may release the Report for publication.
- (g) Should the Comptroller believe, upon consultation with the Chairman of the Executive and the Chairman of the Committee, that publication of a certain subject or of certain details included in the Report, may be detrimental to the World Zionist movement, or to its activities in some countries, he may exclude such a subject or such details from the published Report. The Chairman of the Zionist General Council together with the Chairman of the Committee may decide – on the recommendation of the Comptroller, of the Executive or at their own discretion, that certain parts of the Committee's conclusions should be excluded from the published Report.
- (h) The Comptroller may make public a Separate Report prior to the time that the next Annual Report is prepared and published, if he believes it necessary and after consultation with the Chairman of the Committee and the Chairman of the Zionist General Council.

Discussion by
Zionist
General Council

- 20. The Presidium of the Zionist General Council may determine whether and how the Comptroller's Annual Report shall be discussed by the Council. In any event, the agenda of the Council shall include an oral report of the Chairman of the Finance Committee or of the Sub-committee for Control on control

activities, and – if necessary – a report of the Chairman of the Executive on steps taken to rectify deficiencies.

21. Close to the convention of the Zionist Congress the Comptroller shall prepare a comprehensive report referring to the period since the previous Congress. The provision of sections 19-20 above shall apply mutatis mutandis.

H. The Control Office

22. The Comptroller is the head of the Control Office, through which he shall carry out his duties under these Statutes.
23. The rights and duties of the employees of the Jewish Agency – World Zionist Organization will be applicable to the Director-General and the staff of the Control Office. They shall, however, be appointed, employed, and dismissed by the Comptroller in line with the labor agreement governing employees of the Jewish Agency – World Zionist Organization, and shall be subject solely to the Comptroller or any person designated by him.
24. The restrictions noted in Section 8 above shall apply to all employees of the Control Office concerned directly with control. As to the restriction contained in Section 8 (c), the period of prohibition prescribed in this section for employees of the Control Office shall be two years or less, as decided by the Comptroller.
The restrictions set forth in Section 9 shall apply to all employees of the Control Office.
25. The budget of the Control Office shall be a special budget determined on the proposal of the Comptroller, by the institution that approves the budget of the World Zionist Organization in the current year, without connection to other expenditure budgets. Such budget shall be spent in accordance with the Comptroller's instructions.

26. The Comptroller shall submit a financial statement at the end of each year for the approval of the Finance Committee.

I. Miscellaneous

27. Should the General Council not decide to establish a Finance Committee, the provisions of these Statutes that refer to such committee shall apply, *mutatis mutandis*, to the General Council itself or to such institution as the General Council shall charge with the carrying out of its functions in budgetary and financial matters.
28. Upon the approval of these Statutes, the Statutes of the Control Office as adopted by the 24th Congress shall become null and void. Decisions of the Central Zionist Institutions regarding the Comptroller and the Control Office, apart from the provisions of the Constitution, shall likewise become null and void.

